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Gdansk Police Stop March to Memorial Headed by Walesa

United Press International
 GDANSK, Poland — Police used water cannon, clubs and tear gas on Sunday to disperse several thousand demonstrators headed by Lech Walesa, the leader of the banned Solidarity free trade union, who was trying to lay a wreath on a monument to victims of police clashes.

Helmeted riot police chased protesters and shoved several into police vans. Among them was a senior Solidarity official, Andrzej Gwiazda, his wife said.

An officer pushed Mr. Walesa but did not strike him. Mr. Walesa was carrying a floral wreath in tribute to Poles who have died in clashes with police since 1956, and threw it at the policeman's feet.

The officers trampled and kicked the wreath, which Mr. Walesa had intended to lay at the monument to the more than 50 victims of the 1970 Baltic coast clashes with police.

Police used tear gas and clubs to disperse thousands of people trying to break police lines to march to the monument after Mass at St. Bridget Church, about 400 yards (365 meters) away.

Police then sprayed a group of onlookers from a water cannon.

The crowd chanted "Gestapo, Gestapo, killers, killers" and "There is no freedom without Solidarity."

At the Mass, a radical priest, the Reverend Henryk Jankowski, told the congregation that they should forgive the killers of another priest, Jerzy Popieluszko, even though the crime was conceived "in the lowest circles of Hell."

Father Popieluszko was kidnapped while driving to Warsaw on Oct. 19. His body was found in a reservoir near the northern city of Torun on Oct. 30.

Meanwhile, the official Polish news agency reported on Sunday that about 400 students and two priests who have occupied a vocational school since Dec. 3 to protest the removal of crucifixes from the classrooms had abandoned their sit-in.

PAP said the students left the school in Wloclaw, 150 miles (240 kilometers) south of Warsaw, after a visit from the Reverend Mieczyslaw Jaworski, the auxiliary bishop of nearby Kielce. There was

no independent confirmation of the report.

IMF Decision Welcomed
 Earlier, Michael T. Kaufman of The New York Times reported from Warsaw:

Although the Polish government has withheld official comment on the U.S. decision to drop its objections to Warsaw's membership in the International Monetary Fund, reports of the move appeared to be welcomed by Polish officials.

The decision was reported in both Washington and Warsaw on Friday. A Westerner who was at the Ministry of Finance on Friday shortly after Foreign Ministry officials were told that Washington would no longer bar Poland's request to join the IMF said that Finance Minister Stanislaw Niedziarz was beaming and telling aides and visitors in the vestibule: "Did you hear? We are getting in to the fund."

Poland, with an estimated foreign debt burden of \$35 billion, the lowest per-capita export earnings in Europe, and deteriorating industrial plants, is in dire need of new credits and investments.

The bar to IMF entry was one of the last major sanctions and probably the most painful of the measures the Reagan administration took to punish the government of General Wojciech Jaruzelski for the imposition of martial law on Dec. 13, 1981. The United States apparently lifted the ban in response to the freeing of political prisoners.

The lifting of the ban followed the release on Dec. 8 of Bogdan Lis and Piotr Mierzejewski, activists in the Solidarity underground and the last two well-known political prisoners.

Belgrade Accepts Monitoring
 Yugoslavia's finance minister, Vlado Klemencic, was quoted Saturday as saying that Belgrade would accept closer monitoring of its economy by the IMF in return for a debt relief package with its creditors. Reuters reported from Belgrade.

In comments reported in the influential daily newspaper Politika, Mr. Klemencic confirmed that talks were under way on terms for a new standby credit arrangement to replace one that lapses in April.

Missions by U.S. Unit In Nicaragua Reported

Compiled by Our Staff From Dispatches
 DETROIT — A U.S. Army helicopter unit has flown missions into Nicaragua and other hostile Central American zones, despite U.S. laws forbidding such military activity, the Detroit Free Press reported Sunday. The Pentagon called the report false.

The missions by the 160th Task Force of the 101st Airborne Division, stationed at Fort Campbell, Kentucky, took place during 1982 and 1983 during U.S. military maneuvers in Central America, the newspaper reported in Sunday editions.

A Pentagon spokesman, Lieutenant Colonel Bob Shields, said Sunday: "No U.S. military forces have participated in any military operations against the Sandinista government. Therefore, the allegations are totally false."

The Free Press interviewed widows, parents and friends of 16 members of the task force killed in aircraft accidents in 1983. Relatives also discussed a 17th member killed by small-arms fire in the U.S.-led invasion of Grenada in October 1983.

The 17 fatalities do not appear linked to clandestine missions in Central America, the newspaper said in its report from the Washington bureau of Knight-Ridder newspapers.

Warrant Officer Donald Alvey, 26, a unit member, was killed March 20, 1983, when, according to

an official army report, a CH-47 Chinook helicopter crashed off the Virginia coast, the Free Press said.

"Don flew a bunch of missions into Nicaragua," his father, William Alvey, of Morganfield, Kentucky, was quoted as saying. "He'd go somewhere and pick up a group of people in a clearing in the jungle — armed troops, speaking Spanish — and take them to another clearing in the jungle."

Several U.S. laws, including the War Powers Act, make it illegal in most cases for the U.S. military to enter combat in Central America without congressional approval.

Members of the unit, believed to number between 400 and 800 soldiers, were told that the U.S. government would disavow them if captured or killed, relatives of members told the newspaper.

Relatives told the Free Press that members of the unit wore civilian clothes and flew at night and that if their helicopters became disabled they were to destroy them and try to leave the country in which they had landed.

Some relatives told the Free Press members that the army would not list the real reason for any deaths in connection with the missions.

(AP, UPI)

U.S. Official Sees No Change in Chile

New York Times Service

BUENOS AIRES — A U.S. congressman who met with President Augusto Pinochet of Chile last week said that the military ruler showed no interest in negotiating with the opposition, lifting the state of siege imposed Nov. 6 or relaxing press censorship.

Representative William B. Richardson, Democrat of New Mexico, said he believed that General Pinochet would respond only to a direct appeal from President Ronald Reagan and that critical statements from the State Department had little effect.

Officials in Washington, concerned that the general's hard-line tactics are counterproductive, have recently increased diplomatic pressure on the Chilean government to make an opening for the opposition parties and to lift the state of siege.



Prime Minister Margaret Thatcher, right, asked Mikhail S. Gorbachev, reputedly the No. 2 member of the Soviet Politburo, and his wife, Raisa, to change places for photographers Sunday when they held talks near London.

Iraq Jets Fire Part of Toxic Gas Neutralized in India On Tanker In the Gulf; 2 in Crew Die Bhopal Deserted as Union Carbide Plant Cleanup Begins

By William Claiborne
 Washington Post Service

BHOPAL, India — Apprehensive residents watched from a respectful distance and aircraft showered a protective curtain of water in the air Sunday as Indian engineers neutralized portions of the deadly methyl isocyanate gas at the Union Carbide Corp. chemical plant here.

Three metric tons (3.3 short tons) of the gas were neutralized and with 12 tons of gas remaining in an underground storage tank, authorities proclaimed the first day of the five-day "Operation Faith" a success.

"The situation continues to be normal," said Srinivasan Varadarajan, director-general of the Indian Council of Scientific and Industrial Research. The gas "is in suspension," he added. "So far, temperature and pressure have been maintained."

Mr. Varadarajan said that one ton of the gas, the remnants of the more than 40 tons that spewed out of the factory on Dec. 3 and killed more than 2,000 people, had already been converted into an agricultural pesticide.

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Soviet Leader, In U.K., Reviews Arms Problems

The Associated Press

LONDON — Mikhail S. Gorbachev, who is widely thought to be the second man in the Kremlin, met Sunday with Prime Minister Margaret Thatcher of Britain to discuss East-West tensions and arms buildup.

There was no immediate comment from British officials after the two leaders met for nearly three hours, but the official Soviet press agency Tass said the two differed over the causes of world tension.

Tass reported that during their conversation, "Both sides expressed concern over the increased tension in the world with differences of assessment of the causes of that."

France Plans National 'Computer-Literacy' Drive

By Arnel Kornel
International Herald Tribune

PARIS — Hoping to mobilize the public behind its economic modernization drive, the French government is drawing up a national computer-literacy program that envisages tens of thousands of computer workshops throughout the country.

Although a timetable and other details of the still-unnounced program are being debated, officials say that President François Mitterrand and Prime Minister Laurent Fabius are eager to see the start of the computer-literacy plan.

It would be the first in the world on a national scale and would involve around six billion francs, according to one estimate, to buy personal computers.

"The plan is very important," said a government official who has followed the project closely, "because it fits in with the will of the president to convert the French mentality to technological development and provide a complement to professional training."

If the final proposal wins Mr. Mitterrand's approval, the government intends to begin creating computer workshops in most of France's 36,500 villages, towns, and cities in 1985. The workshops would be located in schools and open to people of all ages.

"It's an ambitious, audacious plan, but I think it could work," said an American expert familiar with the project. "It could help France leapfrog over several stages in becoming a leader in technology."

Mr. Mitterrand ordered the French cabinet on Nov. 30 to prepare the project.

A task force of seven ministers,

led by Mr. Fabius, has been studying the issue and is expected to present its recommendation by the beginning of January.

Until then, officials emphasize, the future of the plan will remain uncertain.

"For the moment, it is a grand idea," said the government official, who asked that his name not be used. Although the idea must still be elaborated into a program and adopted, he added, "I think that there will be wide agreement to get going quickly and develop rapidly."

Major industrialists are meeting to see if and how they can increase microcomputer manufacturing capacity to meet the demands of the project. Senior officials from Apple Computer Inc. visited France recently to examine what role their company might play.

The dimensions and ambitions of the tentative plan are unparalleled. Although the need for some kind of national computer-literacy policy has been debated in the United States, the Reagan administration has been reluctant to make federal initiatives in the matter.

"We haven't done that well in computer literacy," said John Creine, senior vice president at Carnegie-Mellon University in Pittsburgh. "I can't see our political leaders having the kind of vision and the kind of courage that is required to carry this off."

Mr. Creine was in Paris this month advising the French on the project. Carnegie-Mellon is a leading university in the educational use of computers and recently expanded its relationship with France. It heads a consortium of 17 U.S. universities that are jointly de-

veloping and sharing educational software.

Richard Cyert, president of Carnegie-Mellon, said that the program could "aid significantly" France's economic development because, with a computer-literate labor force, the country would become more attractive to foreign companies. He termed the project "a fantastic experiment."

Prime Minister Shimon Peres of Israel, learning of the plan during an official visit to France this month, instructed Israeli officials to contact Carnegie-Mellon and to examine the feasibility of creating a similar project.

The project has stimulated intense debate among French government and industry officials. Mr. Fabius and Gaston Defferre, minister of state for planning, are trying to forge a consensus among the various ministries involved.

Gilbert Trigano, appointed on Dec. 7 as delegate to the prime minister in charge of new training, is expected to head the program. Mr. Trigano is the founder and managing director of the Club Méditerranée resort chain.

The government has started several projects involving information technology since 1981. The telecommunications authority is installing computer terminals free of charge in homes and businesses throughout the country to permit widespread access to electronic services over the telephone line.

The government plans to install optical glass-fiber cable to carry more sophisticated video-based services in the future. Factory automation is also high on the government's list of priorities.

But critics have warned that France's ambitious programs are

doomed if they are not driven by a strong social consensus. The computer-literacy plan could help answer that concern, observers and officials say.

By blanketing the country with computer centers, the plan's proponents hope to allay people's fear of modern technology and familiarize them with the kind of tools that will soon be common in the workplace and home.

"France cannot modernize its industry if it doesn't start with the people," said Jean-Jacques Servan-Schreiber, president of the World Center for Computer Science and Human Resources in Paris. He said that the government's plan would seek to answer the question: "How do we irrigate the population of France with this new literacy, the computer literacy?"

The government started a program in 1983 to install 100,000 micro-computers in primary and secondary schools by 1988. But that plan, which is limited to schoolchildren, is considered inadequate by many officials and teachers.

The computer-literacy program now under discussion would involve adults as well as children. The workshops would be located in schools and be open to the public at the end of the school-day. They would stay open in the evening and on weekends.

Teachers would be trained to serve as monitors. Support by the teachers' unions is considered vital to the success of the project. Officials say that the principal teachers' organizations are enthusiastic about the idea.

Large cities would have more than one center. Each center would be equipped with up to six micro-computers. All the centers would

be connected through France's growing videotex network, Télétel, so that people could send each other documents prepared on the micro-computers over the telephone lines.

France's production of micro-computers would have to be greatly increased to satisfy the demands of the project. About 80,000 professional microcomputers were installed in France in 1983. The computer-literacy workshops might require more than 200,000 machines.

Consultations between such French microcomputer makers as Bull, Matra, and Thomson are likely to lead to the creation of a joint venture, officials say. Télécable, a subsidiary of the CGE group, has also been involved in the discussions.

The industrial talks are sensitive. Many of the program's backers, both educators and government officials, favor using Apple's sophisticated Macintosh personal computer in the workshops.

Steve Jobs, Apple's founder, and John Sculley, the company's president and chief executive officer, came to Paris early in December to seek a licensing or joint-venture agreement with French manufacturers. The outcome of those discussions is not yet known.

The choice of machines and software with which the centers are equipped could be crucial to the project's success. The computers must be powerful and easy to use, officials say, so that the public is not alienated by the technology.

"The way you introduce novices to computer technology is very important," said Mr. Creine. "I think that the project runs the risk of total disaster if the right technology isn't used."



Nikolai A. Shchokolov

Soviet Aide Dies; Suicide Is Suspected

MOSCOW — The former Soviet interior minister, Nikolai A. Shchokolov, who was thought to be about to face trial on corruption charges, has died.

Witnesses at his funeral said Mr. Shchokolov was buried Saturday in a hasty ceremony, prompting speculation that he committed suicide.

The death of the former minister, 73, an associate of President Leonid I. Brezhnev before his death, has not been officially announced by Soviet news organizations.

Witnesses at the graveside in Moscow's Vaganokovskoye cemetery said a coffin was buried in a quick ceremony sparsely attended but with a substantial presence of police and plainclothes security men. A simple metal plaque on the grave gave the dead man's name and put the date of death as Dec. 13.

According to Russian tradition, coffins are usually carried open to the graveside. Mr. Shchokolov's was closed, leading some to rumors he had taken his own life.

Mr. Shchokolov was officially stripped of his rank of general last month. He was dismissed by Mr. Brezhnev's successor, Yuri V. Andropov, a month after Mr. Brezhnev's death in November 1982.

Soviet sources said he had abused his position to shield important figures involved in a scandal that Mr. Andropov had been investigating in his previous position as head of the KGB security police.

When Mr. Andropov took over as party leader he appointed one of his former aides, Vitali V. Fedorchuk, to succeed Mr. Shchokolov.

Mr. Shchokolov's entire career, from lowly beginnings in the Ukrainian city of Dnepropetrovsk, was linked to Mr. Brezhnev, who took him from a relatively obscure position in the Soviet republic of Moldavia to make him interior minister in 1966.

It was Mr. Brezhnev's daughter, Galina, who was at the center of a corruption scandal that Mr. Shchokolov tried to conceal when Mr. Andropov's men began to close in on her associates, Soviet sources said.

Recent press attacks on the former minister and the announcement that he had been stripped of his rank indicated that a trial could be imminent.

Some Soviet sources said that Mr. Andropov's insistence that officials at the top of a department should bear severe punishment for any failings could have resulted in a death sentence for Mr. Shchokolov.

The head of Moscow's most prestigious foodstore, Yuri K. Sokolov, also a Brezhnev protégé, was tried on charges of corruption and bribery and executed earlier this year.

Soviet Craft Sent to Film Comet in '86

The Associated Press

MOSCOW — The Soviet Union has launched an automatic spacecraft designed to deliver a landing module on the surface of Venus and rendezvous with Halley's comet, Tass said Saturday.

The official news agency did not give the time or place of the launching. However, Radio Moscow said later that the unmanned probe was sent up from the Soviet Union's Baikonur cosmodrome.

The probe, named Vega, was scheduled to deliver a landing module to the surface of Venus in June 1985 on the way to a meeting with Halley's comet in March 1986.

A second spacecraft, also part of the Vega project, was to be launched Dec. 21 for a March 9, 1986, rendezvous with Halley's comet, Tass said. The comet appears over Earth every 75 years and last was sighted in 1910.

Tass said Vega would take black-and-white and color images of the comet and relay them to Earth, where they would be reconstructed, Tass said.

Astrophysicists have theorized that the comet contains gas and dust, particles similar to those from which the solar system was formed, Tass said.

European Launch Planned

A European Space Agency spokesman said 10 European countries would build a space vehicle designed to carry out long-range orbital missions and contact a U.S. space shuttle for a return trip to Earth, Agence France-Presse reported from Paris.

The vehicle, weighing three tons and measuring four meters in length (13 feet), would be put into orbit by a space shuttle and would be able to change altitude and make contact with another object in space, the spokesman said.

The first mission, to last six months, would begin early in 1985, the spokesman said. The experiment would cost about \$150 million, he said.

Tories in Parliament Rebel Against Thatcher

By Jo Thomas

New York Times Service

LONDON — Fresh from a large-scale Conservative Party revolt on cutbacks in aid to university students, the government squeaked through another in-house rebellion last week against a bill that would do away with London's elected government.

In the House of Commons Wednesday, the government, which has a 141-seat majority, defeated an amendment to the bill by a margin of 23 votes. Eighteen Tories voted against their party, and as many as 60 are believed by their colleagues to have abstained to show their disquiet.

The bill would abolish the Greater London Council, now controlled by the opposition Labor Party. In addition, it would do away with county councils in six large metropolitan areas, also controlled by the Labor Party. This would leave the cities of Liverpool, Sheffield, Newcastle, Birmingham, Coventry and Leeds without locally elected administrations.

The amendment that failed was proposed by 10 senior Conservatives. It would have replaced the Greater London Council with a directly elected authority.

Among the Tory rebels were Sir Ian Gilmour and Mark Carlisle, former cabinet ministers of Mrs. Thatcher.

Bhopal Quiet As Toxic Gas Is Neutralized

(Continued from Page 1)

spraying was "something we were practicing in the event of something abnormal happening."

"There is nothing in the air at the moment," he said, adding that if there were an accidental discharge, the helicopters would dump the water closer to the plant's gas discharge pipes.

The chief minister of the state of Madhya Pradesh, Arjun Singh, said, "All we would do is being done, and we are certainly in good hands." He and Mr. Varadarajan stressed that the operation was being directed by Indian scientists. Four American engineers from the U.S.-based Union Carbide were inside the plant and were being consulted, they said.

Mr. Singh reiterated that once the neutralizing was finished, the plant would be permanently closed.

"It shall not function at this place," he said. "It will be permanently removed from here. Now, what Union Carbide wants to do with it, I don't know." Mr. Singh remained inside the plant Sunday as a gesture of confidence in the safety of the operation.

The factory was heavily guarded and just outside the gate, several hundred onlookers and scores of Western reporters and photographers watched the plant. There was a steady flow of politicians seeking public exposure in the final week of India's parliamentary election campaign and policemen milled about holding the towels they had been issued for covering their faces in the event of an accidental gas discharge.

Most of the city's streets Sunday were deserted of people, vehicles and the cows and water buffalo that normally jam the thoroughfares. Virtually all shops in the central commercial district were shuttered.

Nearly all of the huts in the Jai-prakash and Chhola slum neighborhoods were locked, their occupants having fled to temporary refuge camps or to homes of friends and relatives outside the city until the end of the neutralizing operation.



Residents bathed with water from a tanker before leaving the city of Bhopal, India, where scientists began neutralizing 15 tons of poisonous gas Sunday at the Union Carbide plant.

Jordan Briefs U.S. Envoy On Call for Peace Talks

Reuters

AMMAN, Jordan — Jordan's foreign minister, in a meeting Sunday with the U.S. Middle East envoy, Richard W. Murphy, said a UN-sponsored peace conference was the only way to find a solution to the Palestinian issue acceptable to all sides.

The official Jordanian news agency, PETRA, said Foreign Minister Taher al-Masri met with Mr. Murphy, the assistant secretary of state for Near Eastern and South Asian affairs, before the U.S. envoy's talks with King Hussein.

The agency did not report a response from Mr. Murphy, who said Saturday in Cairo that Washington wanted peace in the Middle East but believed an international conference would not be constructive.

The agency quoted Mr. Masri as saying that the conference should be attended by all parties concerned, including the permanent members of the UN Security Council and the Palestine Liberation Organization, on an equal footing.

Mr. Murphy briefed Mr. Masri on the negotiations between Israel

and Lebanon on Israeli troop withdrawal from southern Lebanon and on his recent talks with officials in Cairo, Damascus and Tel Aviv.

After talks in Cairo on Saturday with President Hosni Mubarak of Egypt, Mr. Murphy said, "Our position has been said many times on the international conference. We do not think it is a setting that will be useful for advancing constructive exchanges."

Egypt and Jordan called earlier this month for a conference bringing together all parties in the Arab-Israeli dispute, including the PLO, the United States and the Soviet Union.

Mr. Murphy said his current Middle East tour was aimed at helping to achieve a total and rapid Israeli withdrawal from Lebanon.

Meanwhile, in southern Lebanon, shops, schools and businesses closed Saturday to protest raids by Israeli occupation troops, sources said. They said the protest strike was effective across most of the south.

Mr. Murphy said he was in Beirut on the negotiations between Israel

Sri Lanka Assails India Over Unrest

Reuters

COLOMBO, Sri Lanka — Prime Minister Ranasinghe Premadasa of Sri Lanka has accused India of interfering in Sri Lanka's internal affairs and preventing the country from finding a solution for its ethnic unrest.

Mr. Premadasa, in a speech Saturday at the 30th annual convention of the governing United National Party, said the greatest obstacle to solving the ethnic unrest was the protection given by India to guerrillas fighting for a separate Tamil state.

"India utters untruths about Sri Lanka, encourages the guerrillas and interferes in the internal affairs of Sri Lanka," he said.

The Indian prime minister, Rajiv Gandhi, last week accused Sri Lanka security forces of indiscriminate killings and attacks on Indian fishermen.

New Delhi has repeatedly denied Sri Lanka allegations that Tamil guerrillas are trained in the south Indian state of Tamil Nadu.

Nearly 400 people have been killed in attacks during the past month.

"We must realize one thing and that is that some in India are under the misapprehension that Sri Lanka is one of their states," Mr. Premadasa said. "The government of India is one obstruction that stands in our way of finding a peaceful solution to this internal problem of ours."

"If India is keen to see this problem solved peacefully through dialogue and discussion, I request India not to meddle in the internal affairs of our country," he added.

Mr. Gandhi's statement Tuesday in New Delhi appeared to the Sri Lankan government to defuse the tension between the majority Sinhalese and the Tamils and find a political settlement to the problem.

Sri Lanka's president, Junius Jayawardene, put forward proposals Friday night at an all-party conference aimed at easing ethnic tension by giving power to a series of local bodies and establishing a second legislative chamber.

Use of Gurkhas Proposed

Mr. Premadasa has proposed that retired British Army Gurkhas be hired to guard key installations against sabotage, sources at the National Security Ministry said Sunday.

The plan, Agence France-Presse reported, would use the Gurkhas as guards but would not involve them directly in action to stop the ethnic violence.

WORLD BRIEFS

Castro Praises Agreement With U.S.

MEXICO CITY (AP) — President Fidel Castro of Cuba has said the agreement reached with the United States for the return of 2,746 "boat people" was "positive and constructive."

He also denied in a radio and television speech Friday night, that was monitored in Mexico City, that those who will return were criminals or mentally ill when they left Cuba in 1980. He said the idea that the refugees included criminals and mentally ill people was a "legend" created by the international news media.

Under an agreement between the two countries announced Friday, Cuba will take back those refugees who the United States claims were released from prisons and mental institutions to join the exodus of 129,000 Cubans from the port of Mariel in the spring of 1980. In return, the United States will allow up to 3,000 former political prisoners and 20,000 other Cubans to apply for U.S. visas annually.

UN Extends Mandate of Cyprus Force

UNITED NATIONS, New York (NYT) — The Security Council has extended the mandate of the United Nations Peacekeeping Force in Cyprus for six months against a backdrop of apparently successful negotiations between Greek Cypriot and Turkish Cypriot leaders.

The new mandate was approved Saturday for the 2,300-member force, which has sought for 20 years to keep the island's Greek and Turkish communities from fighting. It will now expire on June 15. The troops are along a 113-mile (180-kilometer) border that cuts Cyprus in half.

In seeking the extension, Secretary-General Javier Pérez de Cuellar said that the Greek Cypriot president, Spyros Kyprianou, and the leader of the Turkish Cypriots, Rauf Denktaş, meeting separately with him had made enough progress for him to schedule face-to-face talks in New York on Jan. 17, presumably to work out the details of an agreement on island issues. This accord is believed to include the withdrawal of the 5,000-member Turkish military force that arrived in 1974 after a Greek Cypriot coup, the resettlement of refugees, the reopening of Nicosia Airport, border adjustments and UN administration of disputed areas.

EC Talks on Spain, Portugal Resume

BRUSSELS (Reuters) — Negotiations on Spain and Portugal's membership in the European Community will resume Monday.

Diplomats said that major obstacles to the talks were removed at an EC meeting in Dublin earlier this month and that community foreign ministers, meeting Monday, were likely to resolve questions on wine and fish markets, issues that have delayed the entry negotiations. The diplomats said Greece would probably lift its reservations on terms of entry for Iberian wine growers and fishermen.

Afghan Rights Violations Alleged

NEW YORK (Reuters) — Soviet troops and the Afghan Army are subjecting Afghan citizens to arbitrary arrest, torture, imprisonment and execution, a human rights group said in a report issued Sunday.

The Helsinki Watch Committee, a private American organization that monitors the 1975 East-West Helsinki accords, said: "Soviet officers are not just serving as 'advisers' to Afghan agents who administer torture — routinely and savagely — there are Soviets who participate directly in interrogation and torture."

After interviewing refugees in the Pakistani border town of Peshawar, investigators for the organization said they found that "just about every conceivable human rights violation is occurring in Afghanistan and on an enormous scale."

The report said "crimes of indiscriminate warfare" were combined with the "worst excesses of unbridled state-sanctioned violence against civilians." It also said that "arbitrary arrest, torture, imprisonment and execution" were being carried out in the cities.

Mintoff Making First Visit to Moscow

VALLETTA, Malta (Reuters) — Prime Minister Dom Mintoff of Malta was due to leave for Moscow Monday to set the seal on a new-found friendship between the Mediterranean island and the Soviet Union.

Visiting the Soviet Union for the first time in his 13 years as prime minister, Mr. Mintoff is scheduled to meet President Konstantin U. Chernenko and is expected to return with a friendship and cooperation treaty, shipbuilding orders for Malta's ailing dockyard and other orders for Maltese industries.

In 1981, Malta and the Soviet Union signed an agreement on the neutrality of the island. Malta surprised the North Atlantic Treaty Organization the same year when it granted the Soviet Union facilities to store up to 200,000 metric tons of bunker fuel in tanks on the island for its merchant ships. Warships are barred from entering Malta in accordance with its declaration of neutrality and nonalignment.

Turkeys Contaminated in U.K. Protest

GRIMSBY, England (AP) — Police charged four persons on Sunday with poisoning supermarket turkeys with mercury to protest the annual breeding of millions of the birds for the Christmas table.

Contaminated birds were found Friday and Saturday in two supermarkets in this east England port after anonymous telephone calls from campaigners belonging to the Animal Liberation Front.

Israeli Cabinet Trying to Avert Crisis

JERUSALEM (Reuters) — Israel's Likud and Labor parties were trying Sunday to prevent a dispute between two small religious groups from developing into a government coalition crisis, cabinet officials said.

The dispute between the National Religious Party and the ultra-orthodox Shas movement over control of key state religious functions led to the resignation Sunday of Yitzhak Peretz, the Shas leader, as minister without portfolio. Likud, which considers Shas one of its main allies in the nine-party coalition, issued a thinly veiled threat that it would leave the government unless a solution was found in the 48 hours before Mr. Peretz's resignation took effect.

A senior cabinet official, who belongs to the Labor Party, said Labor and Likud ministers were mediating with the two groups to avert a crisis.

Workers Stage Protest in Portugal

LISBON (AP) — Tens of thousands of protesters marched through the center of Lisbon on Saturday calling for the resignation of the Socialist coalition headed by Prime Minister Mario Soares.

The march was one of the biggest anti-government protests since Mr. Soares's coalition of Socialists and Democrats came to power 18 months ago. It was organized by the CGTP-Inter-sindical, the trade union federation that controls close to 80 percent of Portugal's organized industrial labor.

The protesters claim the government has forced workers to bear the brunt of an austerity program agreed upon with the International Monetary Fund aimed at easing Portugal's heavy foreign debt. The unions say workers are owed more than \$58 million in unpaid salaries.

For the Record

A tentative agreement was reached Sunday between the Chicago Board of Education and 40,000 employees who have been on strike for two weeks. The employees were to vote late Sunday on the agreement, which calls for a 4.5 percent pay raise and a 2.5 percent bonus. (AP)

Richard McIntyre, a Republican, was declared the winner Friday of the 8th Congressional District race in Indiana over Representative Frank McCloskey, a Democrat. Despite the certification by Indiana Secretary of State Edward J. Simcox, a Republican, the winning margin of 34 votes out of nearly 233,000 cast in the Nov. 6 election could change because of continuing recounts in 14 districts. (WP)

The USS Scorpion, a submarine that sank in 1968 with all 99 members of its crew, probably was disabled by an accidental torpedo explosion, according to investigators and recently declassified documents. (AP)

Prime Minister Margaret Thatcher of Britain is scheduled to leave London for Beijing on Monday to sign a treaty pledging to hand over control of Hong Kong to China in 1997. (Reuters)

Stephen Naidoo, an Indian, on Sunday became the second nonwhite Roman Catholic archbishop of Cape Town. (Reuters)

President Mohammed Hussain Ershad of Bangladesh announced plans Saturday to reschedule parliamentary elections for April as part of an offer to appease the opposition, resolve a political stalemate and end martial law. It was Lieutenant General Ershad's third rescheduling of the elections since he took power in March 1982. (UPI)

Chile deported the wrong correspondent for what it called an erroneous story. Interior Minister Sergio Onofre Jarpa Reyes has acknowledged. Mr. Jarpa said that "United Press International" had demonstrated that the one responsible for the objectionable story "was another journalist, who left Chile" and has allowed Anthony Boodie to return. (AP)

A man shot to death in Rome on Friday has been identified as Ismail Darwish, 32, a Palestine Liberation Organization member, police said. PLO officials said Saturday. No arrests have been made. (AP)

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AMERICAN TOPICS

Christmas Toys:
Back to Basics

Shoppers for Christmas toys in the United States are turning away from video games in favor of traditional toys, merchants and industry analysts say.

Cabbage Patch dolls and their accessories are far and away the best sellers this Yuletide season. Barbie, a girls' favorite for a generation, still rates high. So does a Michael Jackson doll.

Male action figures, like Masters of the Universe and GI Joe, are favorites for boys. Robots, toys that turn into airplanes or spaceships, also are doing well.

Denver Drivers
Won't Give It Up

Despite an intensive drive to persuade residents of smoggy Denver to leave their cars at home one weekday a week, the exact day determined by the last digit on their license plates, only about one out of a hundred motorists has heeded the plea.

Meanwhile, on a typical day, the bright blue mountain skies are blotted out by a brown cloud, 90 percent of which is formed by automobile exhaust, officials say.

If Denver has not reduced pollution levels to federal limits by 1987, the entire state of Colorado could lose millions of dollars in federal highway and sewer construction grants.

Short Takes

Four Louisiana men pleaded guilty last week to swindling \$231,000 in prize money from seven Texas bass fishing contests. Fish large enough to win big prizes were smuggled live from Florida in aerated tanks and concealed in bait wells of fishing boats during the contests. The conspiracy charge is a felony carrying a maximum penalty of five years in prison and a \$10,000 fine.

New York has designated the porticoed Tweed Courthouse behind City Hall as a city landmark. The courthouse is a symbol of the corrupt Tammany Hall administration of William Marcy (Boss) Tweed a century ago. The building was supposed to have cost \$250,000 but by the time it was finished in the 1870s the total expenditure topped \$8 million. Much of this was presumed to have found its way into the Boss's pockets. The estimated cost of repairing the decrepit building is \$36 million.

Notes About People

Ronald Reagan's administration has cut back on spending for research on organic farming, the use of nonchemical techniques for raising crops and livestock. But President Reagan himself, it turns out, follows organic precepts on his California ranch. Mr. Reagan's butler, Bruce Oxford of Thousand Oaks, California, says the president raises his cattle without antibiotics.

Without fanfare, Secretary of State George P. Shultz has asked an old friend, Walter B. Wriston, former chairman of Citicorp, to serve as an unpaid consultant on long-term telecommunications policies, particularly those concerning the flow of information overseas, an area of particular importance to the State Department.

Howard Baker:
The Wages of Access

Howard H. Baker Jr.'s income will increase at least tenfold next month, when he stops being Senate majority leader and returns to law practice. Compared with his Senate salary of \$82,100, Mr. Baker expects to draw \$700,000 to \$800,000 a year as head of the Washington office of Vinson & Elkins, a big firm based in Houston, lawyers familiar with the arrangement say.

Mr. Baker, 59, will earn a substantial additional sum working part-time with his old Tennessee law firm and serving on corporate boards. He also



Howard H. Baker Jr.

will keep a hand in politics, positioning himself to run for president in 1988.

What makes any lawyer worth that much money? A number of knowledgeable attorneys told The New York Times that Mr. Baker has a singular blend of clout, connections, political acumen, legal ability, judgment and class that would have corporate clients lining up at the door in hopes of "access."

"Access" is Washington lawyer talk for the ability to get a sympathetic hearing, if not a favorable result, from policymakers in Congress and the administration. Lawyers are careful to distinguish it from "influence-peddling," which smacks of distorting governmental processes to get more for a client than the merits of his case would warrant.

Mr. Baker says that he does not intend to be a fixer or string-puller. He will not have to. When his partners make their rounds, their powers of persuasion will be enhanced by association with a Republican powerhouse who could possibly be the next president.

—Compiled by
ARTHUR HIGBEE

Leading Republicans
Press Reagan for Cuts
In Defense Spending

By David Hoffman
and Lou Cannon
Washington Post Service

WASHINGTON — Members of Congress say they doubt legislators will accept White House recommendations to sharply cut domestic spending unless there are reductions in the military buildup.

Some supporters of President Ronald Reagan expressed the fear that the budget dispute would undermine the president's goal of avoiding a tax increase.

If Mr. Reagan "doesn't really cut defense, he becomes the No. 1 special pleader in town," said Representative Dick Cheney of Wyoming, chairman of the House Republican Policy Committee.

"The numbers from defense are not enough, they're not going to do a job from the budget standpoint," said Representative Trent Lott of Mississippi, the House Republican whip, who calls himself "a defense person" and has consistently supported military spending.

Their comments are echoed by others on Capitol Hill and in high levels of the administration who point out the consensus that backed Mr. Reagan's ambitious five-year military buildup in 1981 has shifted fundamentally in favor of a significant slowdown in defense spending.

Mr. Reagan, however, seemed last week to be moving toward a Pentagon budget request that would keep the military buildup expanding at nearly the pace of his first term.

Late last week, Mr. Reagan rejected a proposal from most of his budget advisers, crafted by David A. Stockman, director of the Office of Management and Budget, for a major scaling back of the defense buildup. The president is expected to announce this week that he has approved small trims from the defense budget next year, as suggested by the defense secretary, Caspar W. Weinberger.

Mr. Stockman wanted to cut \$121 billion from requested Pentagon spending authority over three years. Mr. Weinberger has offered to cut \$19 billion. Mr. Weinberger told White House officials Wednesday that he wanted a budget next year of \$316.8 billion, compared with \$284.5 billion this year, the officials said.

Every time the defense spending battle has been fought in his presidency, Mr. Reagan has sided with Mr. Weinberger.

The secretary's determined resistance to any slowdown in the military expansion appears to be motivated by his convictions that more spending is necessary and by a perception that he is pursuing a course Mr. Reagan wants.

Congressional sources said Mr. Weinberger's key argument to the president was not that defense spending was inviolate. Rather, he appealed to Mr. Reagan's instincts as a negotiator and argued that Congress would slash any budget request, even if it were rescinded at the outset. Mr. Reagan made the same argument Dec. 6 in an interview with the conservative weekly, Human Events.

Republicans who helped Mr. Reagan begin the defense buildup in 1981 say that support for such increases has dwindled because

deficits have ballooned and many other popular programs are on the chopping block.

These Republicans say the consensus is not to actually cut back defense spending, but to hold the rate of the buildup to 3 or 4 percent annually after inflation, much slower than in Mr. Reagan's first term. The Defense Department won an average of 9 percent annually then.

"I've voted for everything they've asked for, and voted for every single cut," Mr. Cheney said. "Now the severity of the deficit is great enough that the president has to reach out and take a whack at everything to be credible."

He said: "A package that lets defense run free won't fly. Republicans won't vote for it. Nobody would take such a budget seriously. If you put defense off limits with Social Security and no tax increase, the judgment you've made is that you don't care about the deficit."

"I don't see how you can do that," Mr. Cheney said. "If you're going to rule out Social Security cuts and a tax increase, then you've got to hit defense."

Mr. Reagan has been getting this advice from all directions. It has been voiced in private meetings by Donald T. Regan, the Treasury secretary, and by the Commerce secretary, Malcolm Baldrige.

It has also been voiced by Mr. Reagan's closest friend in Congress, Senator Paul Laxalt, Republican of Nevada, and his congressional point men, the incoming Senate majority leader, Robert J. Dole of Kansas, and the House Republican leader, Robert H. Michel of Illinois.

Even some of Mr. Reagan's White House advisers have expressed concern. They include James A. Baker 3d, the White House chief of staff; Richard G. Darman, presidential assistant; and Mr. Stockman.

But Mr. Reagan, who was elected in 1980 at a time when polls indicated that Americans wanted more defense spending, appears to have brushed aside the warnings. He may hear them again next week or next month, and could still reconsider.

But in his interview with Human Events, he said: "We're not going to make any cuts in defense spending that are going to drive us backward with regard to what we're trying to do in overcoming the years of neglect in guaranteeing our security."

Nuns Told to Renounce
Statement on Abortion

By Kenneth A. Briggs
New York Times Service

NEW YORK — The Vatican has threatened to expel from their orders nuns who signed a statement asserting that Roman Catholics hold diverse views on abortion unless the nuns publicly renounce the statement.

According to some of the nuns, who spoke on condition that their names not be used, the Sacred Congregation for Religious and Secular Institutes issued the demand that they renounce the statement in letters to the superiors of the nuns' orders.

Twenty-four nuns were among the 97 signers of the statement, which was sponsored by Catholics for a Free Choice. They argued that "a diversity of opinions regarding abortion exists" in the Roman Catholic Church apart from the church's official stand of total condemnation.

The statement appeared as a paid advertisement in The New York Times on Oct. 7 at the height of political debate over abortion earlier this fall. Catholics for a Free Choice is an association of Roman Catholics who favor the availability of abortion. In addition to the nuns, the signers included priests and members of the laity.

Those who said they were informed of the Vatican instruction said it also demands that the signers dissociate themselves from the



A 7,000-year-old skull found last week in Florida. A scan showed its brain largely intact.

Ancient Human Brains Found in Florida

New York Times Service

NEW YORK — Archaeologists in Florida have found two human skulls, estimated to be 7,000 years old, containing brains that were largely intact.

The brains were discovered Tuesday and Wednesday buried in peat at the bottom of a lake. A chemical analysis is reported to have shown that the tissue retains much of its original DNA, the threadlike molecules that contain the information

controlling cell construction, function and heredity.

The discoveries were described as "by far the oldest brains ever found from which we have been able to extract DNA and analyze it," said Dr. Glen H. Dornan, assistant professor of anthropology at Florida State University in Tallahassee, Florida. The findings have revived hopes that far older specimens exist and may yield clues to the evolution of life's chemistry over millions of years.

More Trouble in U.S. Control Towers

Air Controllers Think They're Overworked, Study Finds

By Douglas B. Beaver
Washington Post Service

WASHINGTON — Federal Aviation Administration air traffic controllers hired to succeed those dismissed by President Ronald Reagan in 1981 think that they are overworked and feel at times that air traffic is "exceeding the capacity of the human-technical system," an FAA task force has reported.

The task force said insensitive FAA management and the stress of dealing with heavy traffic have increased the controllers' "burnout" rate and resulted in overall working conditions "as bad, or perhaps a bit worse" than those that existed in 1981 when the 11,400 controllers went on strike.

With some exceptions, the report said, the human relations problem is "viewed as inconsequential, as largely slogans and superficial window dressing."

A "burnout-bounceback" index shows that the overall burnout rate for controllers has nearly doubled since 1981 and that the burnout rate for management and supervisors is, "if anything, higher than that for controllers," the report said.

"Burnout" refers to an attitude toward work, not necessarily to controllers who actually resign; "burnout-bounceback" refers to workers who have returned to normal efficiency.

The task force was headed by Lawrence M. Jones, a Wichita consultant whose report in 1981 was commissioned after the controllers' strike and led to management emphasis on improving relations with controllers. The second Jones report said bluntly that the first report's warnings were not being heeded.

Mr. Jones said the second report's conclusions were based on interviews conducted last summer when the system was under peak stress. He said that the situation was improving "each month that goes by" and that "the quality of managers and supervisors in the air traffic service is dramatically improved."

The FAA, the report said, "is dealing with a very difficult situation which, if not handled forcefully and effectively, will lead to problems of the type that have proven to be so excessively costly to the nation over the last 15 years," a period that has seen two nationwide

controllers' strikes and several intentional slowdowns.

A psychologist, David G. Bowers, who was a member of the task force, said that the FAA has "a large number of managers who are personally very committed to a very autocratic style." He said new managers tended to be selected in the image of their predecessors.

Mr. Bowers also said that to ease the overwork problem "I don't see any other alternative" to rehiring some of the striking controllers who were dismissed. The report does not make such a recommendation and, as Mr. Jones said Friday, "That's not in the cards."

Rehiring former controllers is not as potent an issue among controllers who remained as the FAA has suggested. Few controllers mentioned the subject during the interviews, the report said.

Those who did were mostly older controllers and supervisors, a majority of whom favored rehiring "as an immediate source of badly needed skills," the report said.

New Heart
Likely Cause
Of Stroke,
Surgeon Says

By Cristine Russell
Washington Post Service

LOUISVILLE, Kentucky — Dr. William C. DeVries says there was a "95 percent chance" that the mechanical heart he implanted in William J. Schroeder almost three weeks ago was responsible for the stroke that Mr. Schroeder suffered Thursday.

Dr. DeVries said Mr. Schroeder, the second person to receive an artificial heart implant, was "quite stable and doing very, very well" Saturday but cautioned that his recovery in the days to come would be "like being on a roller coaster," with "some times that are very good and some times that are very bad."

Dr. DeVries said Mr. Schroeder's stroke was probably caused by a small blood clot traveling to the brain from the mechanical device, or by the altered blood flow it produced in the remaining portion of his natural heart.

Based on animal work and experience with the mechanical heart valves in other patients, Dr. DeVries said, a stroke was a "known complication" but one that appeared to be rare. He emphasized that Mr. Schroeder and his family were told of the possibility of stroke before the Nov. 25 operation.

Because the mechanical heart is made of metal and plastic, there is a greater chance of blood accumulating on the heart's surfaces and causing clots, although the device was designed to minimize this possibility, Dr. DeVries said. In addition, Mr. Schroeder has been kept on an anti-coagulant, or blood-thinning drug, to reduce the chance of clots.

Dr. DeVries said the stroke is something that he will worry about as long as Mr. Schroeder is alive.

"This is a complication of the artificial heart," he said. "I would say it was probably about a 95 percent chance that it came from the actual device, the valves, or the natural atria which are behind the heart." The atria are the upper chambers of Mr. Schroeder's natural heart that were attached surgically to the larger lower chambers of the mechanical heart.

Dr. DeVries said that Mr. Schroeder, like many stroke patients, has fluctuated between long periods of sleep and drowsiness and shorter periods of alertness in which he watched television and talked slowly but with a slurred voice. He also was moving his arms and legs on his stroke-weakened right side.

The drowsiness is considered a result of the physical and emotional fatigue of a major setback, as well as a temporary swelling in his brain from the stroke.

Jan Peerce, Opera Tenor, Dies at 80

United Press International

NEW ROCHELLE, N.Y. — Jan Peerce, 80, the opera tenor whose career over a half century also included the popular hit "The Bluebird of Happiness," died Saturday.

His wife, Alice, said Sunday that he never came out of a coma that he had slipped into two years ago after suffering a stroke.

Mr. Peerce had performed in opera halls in the United States, Europe and the Soviet Union during his career. He was perhaps best known as a star of the Metropolitan Opera in New York where he sang the leading roles in "La Traviata," "Rigoletto," "La Bohème," and many other operas.

Unlike some operatic stars, Mr. Peerce did not look down on popular music. For six months he sang the role of Tevye on Broadway in "Fiddler on the Roof." His recording of "The Bluebird of Happiness" became a best seller as a single. He was involved in the recording of more than 40 long-play albums, as a solo artist and in operas.

He became the first American singer to perform at the Bolshoi Opera in Moscow after World War II. At the age of 75 in 1979, Mr. Peerce was still singing 50 concerts a year.

J. Roderick MacArthur, 63, U.S. Philanthropist, Dies

NEW YORK (NYT) — J. Roderick MacArthur, 63, a Chicago businessman and philanthropist who sought to encourage the spark of genius through no-strings cash awards to "exceptionally gifted individuals," died Saturday at Northwestern Memorial Hospital in Chicago. Mr. MacArthur suffered from cancer of the pancreas.

The funds for the "Prize Fellows Program" came from his father, who amassed a fortune from insurance and real estate and left the money to the John D. and Catherine T. MacArthur Foundation.

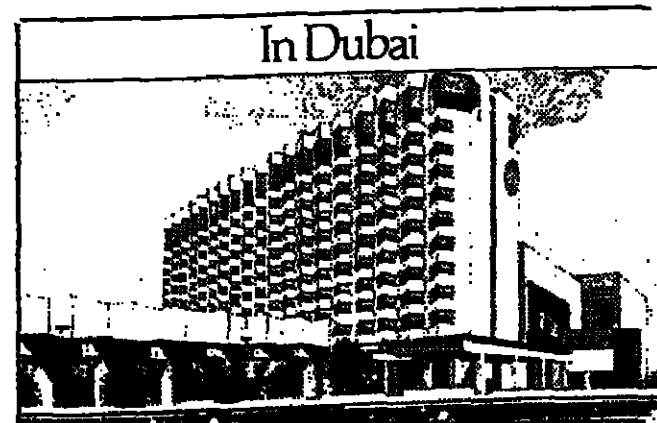
The younger MacArthur, as a foundation director, was the prime force behind the innovative program frequently called the "search for geniuses," because anonymous scouts around the country nomi-

nate candidates for awards. In four years the foundation has made awards to 141 individuals and allocated \$43 million for prizes.

Mr. MacArthur was the only son of John D. MacArthur, who lived frugally and died in 1978, leaving the foundation with assets of at least \$1 billion, making it one of the wealthiest in the country.

Other Deaths: Max Schoenher, 81, an Austrian composer and conductor known for his operas and compositions for solo piano and orchestra, Thursday in Vienna.

Colin Stokes, 70, retired chairman and chief executive officer of R.J. Reynolds Industries Inc., Friday.



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The Chinese Correction

The newspaper of China's Communist Party has apologized for one of the printing errors of the century. A major editorial was wrong, the People's Daily said, to state that "one cannot expect the works of Marx and Lenin . . . to solve today's problems." It should have said "to solve all of today's problems."

Well, OK. So Marx and Lenin are only partly washed up in Beijing. But the history of China turns out on a correction of language but on the correction of course implicit in either statement. China has found the "science" of Marxism-Leninism too stale to guide a modern state. What the Russians cling to as history's ultimate revolution is in Chinese eyes, itself ripe for revolutionary change.

That does not yet constitute a new ideology. The Chinese have yet to decide which of the works of Marx and Lenin are to be replaced, and by what. China's leaders seem content to suspend belief while they try almost anything that works to modernize their economy. In the words of Deng Xiaoping, they are "perfecting communism through capitalism." Who cares what color the cat so long as it catches mice?

The Chinese are ditching the old theories because nothing in Marx, Lenin, Stalin or Mao could teach them how to make 800 million peasants grow enough to feed themselves. That left an intolerable burden also for 100 million to 200 million city residents. For Mao's successors it looked like a choice between permanent backwardness and abandoning communism. They prefer a nameless new ism.

Five years ago they decreed a profit system

for the countryside. They virtually abolished collective farming and liberated every peasant family to grow and sell at will, with only a modest quota going to the state. The resulting harvests have been the best in memory. Real farm income has increased at least 50 percent.

Opponents of the policy find it hard to argue with success. Backed by the hugely enriched rural constituency, Mr. Deng has now ordered the gradual deregulation of many industries and urban services to let the profit motive re-allocate labor and resources to the most efficient enterprises.

The risks are enormous. Inflation and unemployment are the immediate dangers. The loss of significant state control over major industries is another possibility. And if this economic revolution is allowed to run its course, it is bound to produce a comparable upheaval of the political system.

It has been fear of such upheaval and, indeed, of the disintegration of the Communist hierarchy that has prevented the Soviet leaders from attempting anything similar. They, too, understand the economic value of the profit system. But they fear that abandoning Marxism-Leninism would destroy the only rationale for Communist Party rule. Why are the Chinese so much bolder? Perhaps in Deng Xiaoping they have produced yet another visionary leader. Or perhaps they think they are throwing off just one more alien yoke. They seem to know what they want to do, even if they are having trouble explaining it.

—THE NEW YORK TIMES

Iran and the Hijackers

On the available evidence, the verdict of "not proven" still applies to the Reagan administration's dark suspicions about what happened at Tehran's airport in recent days. But the worst doubts will be confirmed if Iran refuses to extradite or punish the four hijackers who killed two Americans aboard a Kuwaiti airliner. Iran's weird hint that it wants to swap the captives for Iranian exiles is of a piece with Prime Minister Mir Hussein Mousavi's arrogant declaration that "Iran explains nothing to anyone but God." If he will not see to the punishment of murderous hijackers, the appropriate response is to organize an international boycott of Iranian aviation.

The monitoring of radio communications by U.S. intelligence has yielded no hard evidence of Iranian collusion in planning the hijacking. In diverting the Karachi-bound plane to Tehran the hijackers may have merely assumed Iran's sympathy because they were demanding freedom for pro-Iranian terrorists imprisoned for embassy bombings in Kuwait. There is no evidence that they were beckoned to Tehran.

But once they reached Iran the government's conduct became suspect. Kuwait refused to release its prisoners and Iran came under international pressure to storm the plane. It held back for six days while the hijackers murdered and tortured passengers. Why the delay? When the hijackers virtually begged to be attacked by threatening to blow up the aircraft, why did they trustingly allow a

"cleaning crew" aboard? How did this crew of disguised soldiers overwhelm hijackers in a cramped cabin without anyone getting hurt?

Whatever the explanations, failure to extradite or try the terrorists would be an unambiguous endorsement of their crime. It would violate the Hague Convention for Suppression of Unlawful Seizure of Aircraft, to which Iran is a party. The safety of travelers everywhere is at risk when any country offers sanctuary to hijackers. Even Cuba observes an anti-hijacking agreement with the United States.

If Iran only pretends to comply with the Hague treaty, let other nations reach the obvious conclusion that Tehran's airport is no longer safe. Civil aviation conventions adopted in Tokyo in 1963, the Hague in 1970 and Montreal in 1971 all require the prosecution or extradition of hijackers. But the conventions contain no enforcement mechanism.

The United States has tried repeatedly to punish violations with the automatic suspension of air service to and from an offending state. Ordering such a suspension and summoning other nations to follow suit would begin to give meaning to Washington's recent debates about how to punish terrorism. If Iran disdains its international obligations, civilized nations can raise the cost of defiance without resorting to force. This unused weapon deserves a test, and unseathing it would have a salutary effect as Iran ponders its course.

—THE NEW YORK TIMES

Let Pretoria Take Note

It is good to have President P.W. Botha joining the current discussion in America about change in South Africa. He is a necessary interlocutor. Not only does he speak for his country's enfranchised white minority, he also rules, through the forcibly imposed apartheid system, the voiceless black majority.

Precisely in the tension between those roles, Mr. Botha's leadership now faces its hardest test. Politically he has a dilemma. To satisfy his white constituency he must uphold white interests as they are variously perceived; this includes maintaining the image of total Afrikaner, or at least white, control of white destiny, although whites long ago lost that control. Hence his pouting and unrepentant rejection of the suggestion by President Reagan that it was American "quiet diplomacy" that led Pretoria to release some detainees.

At the same time, to keep the connection with Washington that spurs Pretoria's unbearable loneliness in the world, President Botha must show a certain progress in dealings with South Africa's blacks. From his point of view, the effect of the demonstrations that began last month in Washington can only have been to raise his domestic costs of propitiating Ronald Reagan, since, notwithstanding his own protestations, Mr. Reagan is being forced by the demonstrations to demand more of Mr. Botha than he has in the past four years.

Just how much more, and in what forms, will be determined in the months to come.

Meanwhile, we can expect pronouncements from South Africa — that is, from the white government, an important but not the sole voice and actor — along three lines:

South Africa is strategically and economically vital, or at least awfully useful, to the United States. This is certainly true, but the formula begs the question of whether it is wise for Americans to count on a regime that may be increasingly distracted by internal unrest.

South Africa's internal arrangements are not America's business. But if Americans are invited not to care for the blacks and the Asians and the "coloreds," why should they be expected to care for the whites?

South Africa's internal arrangements are America's business, but Americans should understand that Pretoria is working earnestly to change things for the better. In fact Pretoria is working hesitantly to change things to uncertain purpose. Changes made or proposed do not cut squarely, as they must, across the dehumanizing and demoralizing of blacks that are the essence of apartheid.

"We pledge here today," Mr. Reagan said last Monday, "that if South Africans address the imperatives of constructive change, they will have the unwavering support of our government and people in this effort." But only if. Otherwise, all bets are off. The pledge reflects, we believe, an American consensus. It deserves the closest reading in Pretoria.

—THE WASHINGTON POST

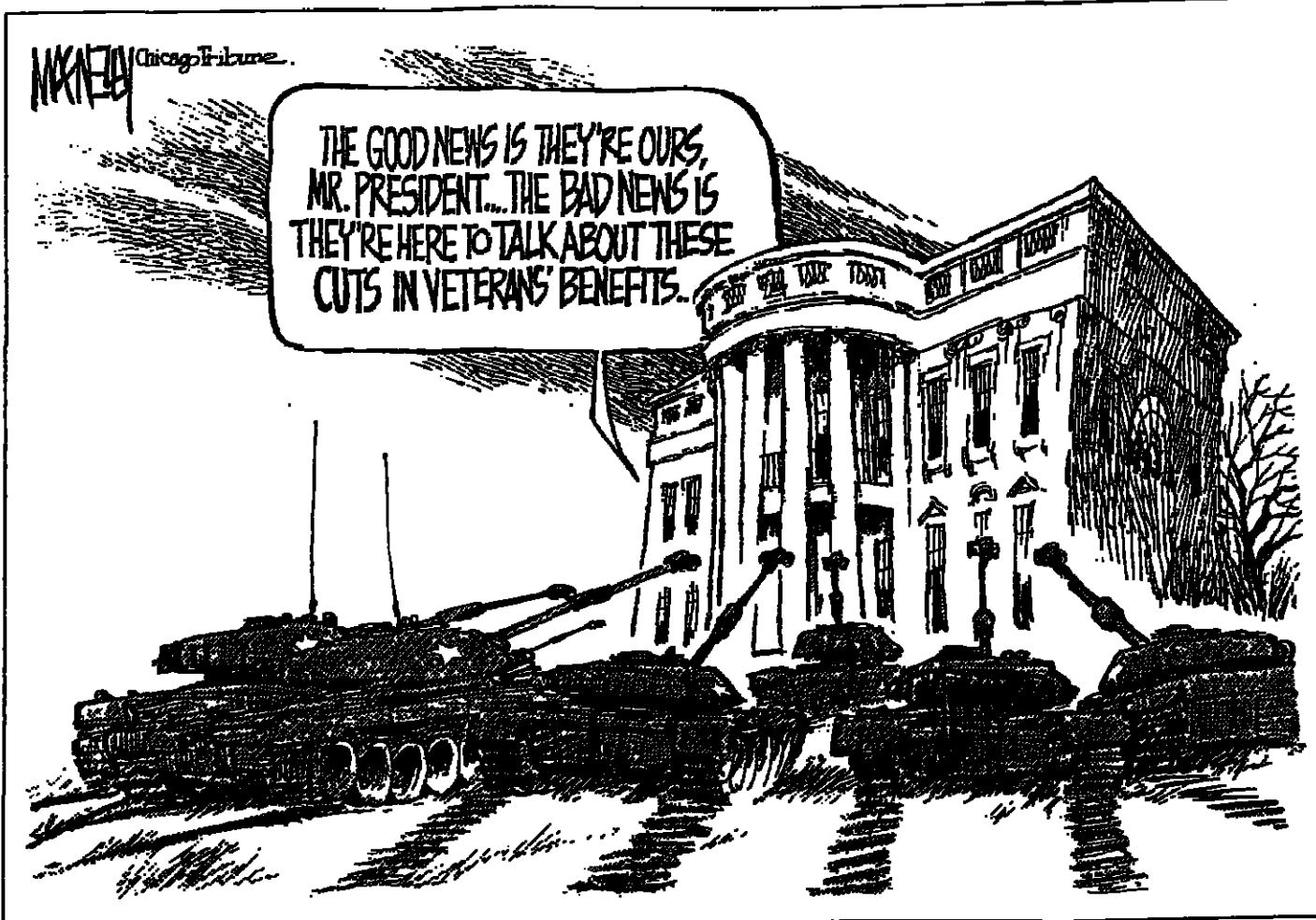
FROM OUR DEC. 17 PAGES, 75 AND 50 YEARS AGO

1909: Higher Yields, Higher Prices

NEW YORK — The press discusses the high cost of living and the staggering meat and crop report. The Philadelphia Inquirer says: "The fact is that the cost of living is increasing because of the larger number of persons to be fed. The business man makes good by increasing the prices of commodities, but the man on a salary is confronted with problems in domestic economy which keep him awake nights. The moral is for the young men to become farmers." The New York Tribune says: "Not the least welcome feature of the report of the Secretary of Agriculture, with its unprecedented showing of agricultural productivity and profit, is the expression of opinion that the soils of the country are not wearing out, but that the yield of the acre is increasing."

1934: U.S. Military Growth Is Urged

WASHINGTON — A three-year air-building program to provide 600 additional machines, an increase in the military strength of the United States and centralization of all subdivisions of the War Department is among the recommendations made to the President in the annual report of Secretary of War George Dern, which was issued on Dec. 16. Secretary Dern declared that the present army of 12,000 officers and 117,000 men should be increased to at least 14,000 officers and 165,000 men in order to perform its duties efficiently. The air force, he said, still needs a large number of planes, and he recommended that the service acquire 600 new machines within the next three years to bring its strength in serviceable planes up to 2,320, excluding reserves.



Force Is Not a Subject for Official Public Debate

By Joseph Kraft

WASHINGTON — Assume a more tragic outcome for the hijacking of the Kuwaiti plane to Tehran. Suppose the terrorists had killed the last batch of passengers, blown up the plane and then been allowed to escape by the Iranian authorities. In that case, the United States would have wanted to hit back at the Iranian government.

But what options were available? The Tehran airport could have been wiped out in a bombing raid. The naval base at Bandar Abbas on the Gulf could also have been bombed.

But innocent people would be killed in an airport strike. Bombing the naval base would alienate elements in Iran that America wants to cultivate against the day when the ayatollah dies. The Iranians, in response, might have blown up oil installations in Kuwait and Saudi Arabia — possibly with dire consequences for the regimes in both countries.

Even if the "capture" of the terrorists was a charade organized by the Iranians to save face, even if they bear indirect responsibility for several murders, the events in Tehran demonstrate the superiority of diplomatic methods in dealing with terrorist actions. Working with Kuwait, Pakistan, Syria, Switzerland and other countries, Washington was able to prevail on Tehran to end the affair with relatively little loss of life.

Not only were there no good options for retaliation, but a prior public commitment to retaliate would have made matters even worse. For in that case doing nothing would have become a confession of weakness.

So the doctrine of retaliation advocated by Secretary of State George Shultz not only looks bad in the abstract, it also fails to pass the test of Tehran. Even if the United States does want to reserve the right to retaliate, it makes no sense to talk about it in advance.

But if Mr. Shultz is in the wrong, does that make right the counter-argument of Defense Secretary Casper Weinberger? In a speech on Nov. 28 he said that America should not apply force for token political purposes. Among other things, he felt that troops should not be used unless the engagement was clearly in America's vital interest, designed to achieve a military victory and assured of public and congressional support.

As implicit guidelines, those stipulations express simple common sense. America is a superpower with global responsibilities. Frittering away mili-

tary power in peripheral battles inevitably diminishes strength in more vital areas. Since America has the force to defeat almost any enemy, Americans grow restive when casualties are suffered for a goal that is less than victory. Congress, reflecting public opinion, also waxes impatient. Internal divisions mount, and the

Cautions effective in the background fail when spelled out explicitly.

country enters a period of turmoil, with heavy damage done to military morale and the defense budget.

Those truism are being kicked around the Pentagon ever since Vietnam. They are part of the private dialogue between the Joint Chiefs and civilian authorities in the administration and Congress. They won the

day when the marines were pulled out of Lebanon. They figure as potent inhibitions against the commitment of U.S. forces against Nicaragua.

But cautions effective in the background fail when set out explicitly as tables of the law. In general it is perilous for trustees of American power to announce what they are not going to do in advance. By expressly insisting on fighting only popular, winnable wars, Mr. Weinberger virtually rules out the use of American force in anything between a major Soviet move on the one hand and a Grenada-type situation on the other.

The foreign policy professionals, in Congress as well as at the State Department, are charging that Mr. Weinberger has virtually handed potential adversaries a free ticket to the messianic regions of the Middle East, Central America and Southeast Asia. By seeming to take American power out of such situations, moreover, Mr. Weinberger plays into the hands

of the least discriminating sappers of the military budget. His emphasis on the strategic duel with Russia lends weight to procurement of the big weapons systems that are so popular with Congress. But since forces are going to be held aloof from messy situations, there seems less need to maintain their fine edge. Congress is thus encouraged to cut what it likes to cut most — money for readiness.

Mr. Weinberger has suffered in going public with the debate on the uses of force. For practical purposes, he has been losing his fight with Mr. Shultz. On most issues that outcome finds a warm welcome in this corner. But flexibility and discretion — a degree of deliberate ambiguity — are central to the effective application of military power. The use of force is not a fit subject for public debate by senior officials.

So although it is a great spectator sport, President Reagan would do well to stop the open bickering between the two secretaries.

Los Angeles Times Syndicate.

Still, Tehran Certainly Looks Suspect

By Eric M. Breindel

NEW YORK — The official Iranian account of the rescue of the Tehran airport hostages on Dec. 9 is, to say the least, highly suspicious.

Since the nine hostages who remained aboard the hijacked airliner were not themselves in a position to know what happened during the alleged "assault" on the plane, we have only the hijackers and spokesmen for the Iranian government to rely on — not the most compelling sources. The true story may never emerge.

Given Tehran's passivity during the six-day siege, and the questions this raised about its possible collusion with the terrorists, it seems advisable to take another look at its version of the rescue effort.

The Iranian press agency reported that two security men from a specially trained unit boarded the aircraft disguised as members of a cleanup crew, cleaning having been requested by the hijackers. Iran said these two impostors, along with a third security man posing as a doctor, dispersed the four terrorists and freed the hostages — all without a single casualty.

What is wrong with this scenario? First of all, there is something oddly familiar about it. In 1972, Palestinian terrorists took control of a Sabena jet

on the ground at Lod airport near Tel Aviv. Then, as in this case, they demanded the release of jailed comrades and threatened to blow up the plane. Crack Israeli troops disguised as mechanics boarded the airliner, attacked the terrorists and freed the hostages. Lives were lost on all sides.

It is not inconceivable that the same trick would work twice. Still, the Tehran hijackers would have to be acutely incompetent to fall for a ruse that has come to be celebrated by most students of terrorism.

More to the point is the question of why the hijackers invited a crew to clean the plane as a prelude to blowing it up. It seems curious that in the midst of killing some passengers in cold blood, torturing others with lit cigarettes and terrorizing the rest, the hijackers would pause to neaten up the living hell they created.

Still more difficult to fathom is that no one was seriously injured during the assault. The Iranians do claim that some of the hijackers were "beaten up." But even for extraordinarily well-trained troops, firing guns and using smoke to subdue terrorists

armed to the teeth and in no way inhibited about using their weapons — all this aboard a plane rigged to explode — without anyone sustaining even a minor gunshot wound is, in truth, nothing short of a miracle.

Also hard to grasp is why the Iranians chose to stage the assault when they did, when all the terrorists were on board the plane, rather than at one of the several moments during the week when most or all of them were visible outside the jet on the tarmac.

These curiosities and seeming contradictions call for a second look at the incident. Of the four terrorists, little is known beyond their Lebanese Shiite origins. But the 17 convicted terrorists whose release the hijackers were demanding are more readily identifiable: They are Iraqi Shiites, opponents of the Iraqi regime, imprisoned in Kuwait for their roles in the truck-bombing of the U.S. and French embassies there a year ago.

Iran is at war with Iraq. Dawid, the terrorist group to which these men belonged, has bases in Iran. The faction is said to pledge allegiance to Ayatollah Ruhollah Khomeini; many of its members are thought to have been trained by Iranians. Would it choose to stage a major incident, deliberately provoking international attention and outrage, on the soil of the very country that affords it sanctuary, against that country's wishes?

It seems far more plausible that Iran was a willing partner in this endeavor. As worldwide pressure on Tehran mounted, particularly after two hostages were murdered, the Iranians may well have decided to change the script — to end it with a well-choreographed "rescue."

We may never know, but a lot could be revealed by the sequel. Will there be a trial in Iran? Certainly, if there is one, staged or not, it will be a historic first: Terrorists tried by the very government that trained them.

The writer is adjunct professor at the Georgetown University School of Foreign Service. He contributed this column to The New York Times.

Kirkpatrick to Chair the Democrats?

By David S. Broder

WASHINGTON — Jeane J. Kirkpatrick is looking for a new job, and President Reagan is having trouble finding one that he and she consider worthy of her talents. The lady grows impatient with her post at the United Nations, and threatens to return to private life.

Meantime, the Democratic Party is looking for a new chairman, and is having trouble finding someone that the governors and the other power brokers consider of sufficient stature for the post. The dazzling step would be to make Mrs. Kirkpatrick the new Democratic national chairman. It is a match made in heaven.

You say it is outlandish to think of the ambassador to the United Nations becoming chairman of a political party? On the contrary, there is a clear precedent. George Bush made exactly that career change in 1973, and it became an important chapter in the résumé that helped him land his present job, a heartbeat away from the presidency. That is something that might appeal to Mrs. Kirkpatrick.

But, you say, Mr. Bush became chairman of his own party — the Republican Party — not of the opposition? Ah, dear reader, you forget. Despite her starring role at last summer's Republican convention, Mrs. Kirkpatrick is a lifelong Democrat. There would be no more apostasy in her becoming Chuck Manatt's successor than there was in Daniel Patrick Moynihan moving from his stint as the Ford administration's UN ambassador to his present position as the Democratic senator from New York.

What are Mrs. Kirkpatrick's qualifications? Despite the demands of her diplomatic duties it is clear that she has paid close attention to Democratic affairs during

the past four years. The disquisition she delivered in Dallas about "the San Francisco Democrats" told them things they had never realized about themselves, like the fact that they are prone always to "blame America first." They would never have learned that from Bert Lance.

Nor was this Mrs. Kirkpatrick's first demonstration of deep-dwelling scholarship on party affairs. In her earlier life as an academic she published two splendid studies of the changes in political conventions and parties, one called "The Presidential Elite" and the other titled "Dismissing the Parties: Reflections on Party Reform and Party Decomposition." She is as well-equipped as anyone can be for those endless debates on party rules and delegate-selection procedures that the Democrats employ as a narcotic to keep from thinking about the results of the last election.

As the title of her essay suggests, Mrs. Kirkpatrick is not a great admirer of the steps that the party has taken in the last 16 years to "democratize" itself. But many other Democrats have come to think that those "reforms" have nearly run them out of business, and she would not lack for allies if she came to the chairmanship committed to leading a counter-revolution.

The experience that Mrs. Kirkpatrick has gained in the last four years of debating with Third World representatives at the United Nations could be the perfect preparation for dealing with the variety of assertive caucuses that now dominate the structure of the Democratic National Committee.

If it is publicity the Democrats want, let me assure you that the

reporters and cameras would be lined up outside the door, waiting for the first meeting when Mrs. Kirkpatrick went toe-to-toe with the representatives of the DNC's gay-leb caucus on the issue of affirmative action.

And if the Democrats really want the wide-ranging debate on their future direction that some of them have been saying the party needs, who better to lead it than the sharp-tongued, intellectual Kirkpatrick? She was addressing fellow Democrats in the speech she gave at the Republican convention, and if they invite her to make her points from the chairman's chair I guarantee you there will be a vigorous debate.

Considering all the advantages Mrs. Kirkpatrick possesses as a potential Democratic Party chairman, there can be only two serious questions about putting her in the job.

The first concerns her, uh, rather negative comments in Dallas about Walter Mondale, the Democrats' candidate. Her selection might be seen as something of a slap in the face to Mr. Mondale — were it not for the fact that many other Democrats are abusing other parts of his anatomy. Mrs. Kirkpatrick's criticism can be faulted only on its timing: she gave it before the election.

The second question is one only she can answer: Can one who has been so lavish in her public praise of President Reagan accept the role of being the Democrats' designated hitter at Mr. Reagan and his policies? Would Mrs. Kirkpatrick turn her fierce verbal artillery on the White House, whose Cabinet room she so recently adored?

There is no way of knowing without asking her. I do recall a saying we all learned, that "Hell hath no fury like a woman scorned."

The Washington Post.

Arguments For Trade With Russia

By Thomas H. Naylor

DURHAM, North Carolina — At a time when U.S.-Soviet relations are improving, increased trade could draw the two superpowers even closer together.

Secretary of Commerce Malcolm Baldrige has indicated that the U.S. deficit for 1984 may nearly double last year's record of \$69.4 billion. Increased foreign competition, the strong dollar and severe import restrictions imposed by Third World nations have aggravated the problem. The American economy has recovered substantially, but many smokestack industries have not. And the record number of bank failures and the enormous Third World debts carried by American banks have put great stress on financial institutions.

It is not surprising that some American companies are looking for new markets in such places as the Soviet Union and Eastern Europe. A delegation of 250 American business leaders visited Moscow in November 1982. That meeting was considered so important by the Soviet Union that it took place during the period of mourning for Leonid Brezhnev. In a reciprocal visit in May 1984, 40 Soviet trade officials met these same American executives in New York.

Trade between the United States and the Soviet Union fell from \$4.5 billion in 1979 to \$2.3 billion last year. By one estimate, U.S. companies are losing at least \$10 billion a year in sales to the Soviet Union because of government restrictions, with the result that the Russians buy in greater quantities from Western Europe than ever before.

The big French agribusiness firm Intergro sold the Soviet bloc nearly \$750 million worth of agricultural products last year and recently completed a deal involving the sale of 1,800 tons of inexpensive table wine. And to raise hard currency to finance imports, the Soviet Union's Moscow Narodny Bank, in London, recently offered a \$50-million bond issue in what is believed to be the first Soviet foray into the Eurobond market.

Meanwhile there is evidence that the economies of the Soviet bloc are becoming more market-oriented.

I visited 10 economic research institutes in Moscow in 1982 in which Soviet scientists were evaluating the effects of market-oriented planning in the Soviet Union. Critics have contended that this was nothing new and had little to do with the way Soviet enterprises actually conduct business. But recent discussions with more than 30 Soviet bloc executives suggest that what is observed in Moscow was only the tip of the iceberg.

In varying degrees, Bulgarian, Czechoslovak, Hungarian, Polish and Soviet executives are all singing the same tune. The old ways do not work and those countries are turning to the marketplace to raise the level of innovation and productivity.

Each of Budapest's three first-rate international hotels is owned by the Hungarian government, financed by private Austrian capital and managed by a U.S. hotel chain. Hungary has taken the largest steps toward the West, the Soviet Union the smallest. But the direction is the same.

Critics say Moscow wants increased trade to obtain technology for military gains. This overlooks the virtual impossibility of preventing American technology from finding its way into the Soviet bloc.

It is hard to prevent natural nations like Austria and Finland from selling technology to whomever they please. Blocking Third World countries from selling technology to the Russians is equally impossible.

William C. Norris, founder of Control Data, has noted that the Russians have good technology of their own: "It's not in commercialized form — it's research results. And that's really the most important thing of all." And with its Soviet grain deals, the Reagan administration has shown little sympathy for the view that rejects all trade with the Russians on strategic grounds.

There may be some unique opportunities for American business leaders to contribute to global peace by assuming a stronger leadership role in East-West trade and joint ventures. Rather than resisting global interdependence, the United States should embrace it. As John Naistat, author of "Megatrends," says: "If we get sufficiently interrelated economically, we will probably not bomb each other off the face of the planet."

The writer is professor of economics and business administration at Duke University. He contributed this column to The New York Times.

LETTERS TO THE EDITOR

Atomic Rationale, 1945

In response to the opinion column "Nuclear Madness: Regretful Atomic Scientists Should Speak Up" (Dec. 11) by Peter Wyden:

Hindsight can be as wonderful as radiation is horrible. But it was not dehumanized hatred of the Japanese that led to the use of the only two atomic devices then existing. Had that been the case, continued firebombing — like that of Tokyo, which had killed and maimed more than the Hiroshima attack would, or the planned A-bomb attack on the ancient cultural city of Kyoto (which was removed as a target by Secretary of War Henry L. Stimson) — would have served as better revenge.

In fact, the "ignorance" that Mr. Wyden detects resulted from an overriding desire to end the war as soon as possible. The planned invasion of Japan would have extended the war for another year and cost a million U.S. casualties, and even more Japanese.

The two atomic bombs probably saved far more Japanese lives than they took. But it is impossible to

count the lives saved by not having invaded Japan — just as it is impossible to know how many lives have been saved because nuclear weapons have kept the United States and Russia at bay for nearly 40 years.

SCOTT SUNQUIST,
St. Denis, France.

Protecting the Children

As a social worker who has seen children already badly injured by parental abuse or neglect discharged to those same homes because adequate protective legislation does not yet exist in the United States, I found Carl Rudbeck's opinion column "Sweden: Welfare or Child-Snatching?" (Dec. 4) bizarre both in its tone and in its concern for an extremely small number of possibly mislabeled cases.

Surely the total number of children put into foster homes in Sweden against their parents' will — some 140 in all, according to Mr. Rudbeck's account — pales beside the thousands of children in other countries, including the United States, (Continued on Page 5)

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By Henry A. Kissinger U.S. Needs Realistic Goals for Arms Talks

THE eagerness with which the Soviets have resumed arms control talks marks a complete reversal of a position they have held adamantly for the better part of two years. They have abandoned what they had presented as the immutable precondition: that U.S. missiles first be withdrawn from Europe.

Whether this represents a change of tactics or of strategy, or whether the present Politburo is capable of a fluid diplomacy, is out of Western control. What is in control of the West is to avoid raising excessive expectations about negotiations that have not yet even started.

Western overreagerness could tempt the Soviets to stall to elicit unilateral concessions. Or else it could produce an agreement that because it avoids all fundamental issues will be only an interlude in the East-West conflict.

A great deal depends therefore on the ability of the United States to define criteria by which to measure progress. This will be far from simple. For over a decade the phrase "détente" has been used in a domestic debate. The Reagan administration has so far muted this controversy by a skillful balancing act which combined the rhetoric of the opponents of détente with many of the policies of its advocates. But now that negotiations are starting in earnest it will no longer be able to avoid the issues by deft verbal formulations.

The beginning of wisdom is to admit — however painful this may be in the light of previous pronouncements — that the administration is now involved in an essentially irrevocable process indistinguishable in substance from what used to be called détente. As its fourth year in office began the administration obviously concluded that the American people and its allies would not support confrontation except as a last resort. Having eloquently committed itself, the administration's credibility and allied support depend on making clear that any failure of negotiations is not its fault.

U.S. relations with the Soviet Union have been characterized by oscillations between extremes of intransigence and extremes of conciliation, an oscillation to which the present administration is far from immune. Historically, Americans have either sought to solve tensions in one conclusive negotiation or to defeat a recalcitrant opponent in battle. In either case there was a clear-cut terminal point. Americans have had little experience in working out a modus vivendi, especially on arms, with a nation that continues to proclaim its ideological hostility and to challenge U.S. interests globally.

UNFORTUNATELY the paradox that the apocalyptic nature of nuclear war imposes precisely this necessity became apparent during the traumatic period when Vietnam and Watergate converged to divide America. Attacking détente proved a convenient, and relatively safe, way to avoid facing the central tragedy that was America's divisions much more than its adversary's cunning that sapped its credibility and weakened its international position. Between 1969 and 1972 Congress cut \$40 billion from administration requests for defense (in 1970 dollars) before any arms control agreement was ever concluded.

No policy, least of all détente, can substitute for a strong and purposeful United States. Still, granting that the conflict with the Soviet Union has no clear-cut terminal point, is it nevertheless possible to make agreements that reduce the danger of nuclear war and the risk of political crisis?

Now that the Reagan administration has ended America's self-flagellation, the question no longer brooks evasion. Regrettably U.S. governmental procedures in any administration are not well-suited for the task of defining long-range national objectives. The adversary process from which U.S. foreign policy emerges leads each department to put forward its own, often parochial, set of proposals.

What passes for national strategy is usually a compromise negotiated in the White House and as a last resort imposed by the president. But in foreign policy success almost invariably depends less on the merit of individual measures than on their relationship to each other and to clearly understood long-range goals.

Unfortunately, nuance and continuity have no bureaucratic constituency. Over the past four years the historic rivalry between the State and Defense departments has more than once degenerated into personal animus. Such disputes are especially difficult for a president to referee. He can never be as "expert" as the experts who disagree before him so eloquently in their recommendations.

So in the end, the procedure drives him towards a compromise that may combine the disadvantages of every proposed course of action. It also tends to transmute factual issues into theological ones.

A good example is the question over who is ahead in the arms race. To be sure, the issue involves weapons of unprecedented complexity and for which there is no operational experience. But it cannot be beyond the wit of the U.S. government to devise a comparison of the probable growth of nuclear arms with, and without, arms control agreements.

Even greater precision should be attainable with respect to the issue of verifiability. There is no doubt that the Soviets have often barely observed the letter of agreements; in some cases they clearly seem to have violated them. Critics have seized on even the most technical discrepancy to assault a process they oppose for quite different reasons.

SUCCESSIVE administrations have been reluctant to make a formal charge of violation lest they undermine the domestic support for negotiation and because they did not know what to do about it. The factual content of verification has, as a result, received insufficient study, especially the tolerances that must be part of any agreement. Some questions such as these require resolution:

- What is the U.S. capacity to verify the numbers of each Soviet strategic weapon?
- What is the margin of uncertainty?
- Is that margin strategically significant either by itself or in combination with other weapons?
- What countermeasures are available to Soviet violations and how rapidly can they be implemented?
- If the United States cannot resolve these technical

questions it will surely be stymied by the more fundamental issue that each day bears down on it more heavily: contemporary weapons technology has made traditional arms control theory obsolete. Developed in the late 1950s and early 1960s, this theory assumed stationary missiles and relatively inaccurate single warheads. Since it would take more than one attacking missile to destroy an offensive one, it was plausible to believe that if one could negotiate essential equality of strategic forces the incentive for surprise attack would have been removed.

Modern technology has overtaken this simple equation. Today launchers can carry ten or more highly accurate warheads; some missiles are becoming mobile. Equality in numbers of launchers has become less and less relevant to strategic stability. Even reductions can prove meaningless or dangerous if they do not ameliorate the disproportion between warheads and launchers.

The appointment of the experienced and sophisticated Paul H. Nitze as special adviser to the Secretary of State is an important step, especially in the negotiating field. But nobody can solve the conceptual issues, act as chief negotiator and achieve a bipartisan consensus at the same time. I cannot think of a more suitable occasion for a bipartisan commission to define the basic options for President Ronald Reagan and his senior advisers, thereby making it unnecessary for the president to referee abstruse technical decisions.

Whatever the organizational device, the internal debate in the administration must be shifted from controversy about the importance of arms control to an analysis of which specific limitations would in fact reduce the danger of nuclear war. Otherwise the United States will be driven by negotiating tactics or impose on itself the absurdity of accepting reductions in strategic forces that it refuses to put forward as bargaining chips in negotiation — in the name of reducing the budget deficit.

HERE has been even less of a systematic effort to come to grips with the complicated relationship of offensive and defensive forces. In fact the so-called star wars issue threatens to turn into one of those symbolic tests of will with which America drains its national purpose. Critics have jumped gleefully at the basic options for presidential claims implying the possibility of a perfect civilian defense.

In fact, the possibility of protecting retaliatory forces and lessening the danger of attack from third nuclear countries cannot simply be shrugged off with emotional proclamations. To base deterrence irrevocably on the mutual threat to exterminate civilians would be a fateful decision. When mass slaughter becomes a mathematical equation, the siren songs of the advocates of pacifism and unilateral disarmament will sound increasingly attractive in the democracies.

The administration can approach the problem of defense in three alternative ways: 1) Impose a moratorium on testing of all defensive weapons at the beginning of the negotiations; 2) Use defensive weapons as leverage to obtain a massive cut in offensive forces that reduces the danger of nuclear war; 3) Explore an agreement containing a balance between offensive and defensive forces that would substantially reduce the threat of nuclear war.



Henry A. Kissinger

Reagan May Decide Stance for Arms Talks Just Before Meeting

By Bernard Gwertzman

FRANKFURT — U.S. officials have said that President Ronald Reagan would have to decide how forthcoming the United States should be in discussing space weapons with the Soviet Union next month.

Secretary of State George P. Shultz, who returned to Washington Saturday night, stopped here earlier Saturday for lunch with the West German chancellor, Helmut Kohl.

In Brussels on Friday, Mr. Shultz said: "Just how the discussions and negotiations about space-related matters will be handled is one of the things that we are discussing in detail with the president."

Other officials said that Mr. Reagan might not make the decision until just before Mr. Shultz meets with Foreign Minister Andrei A. Gromyko in Geneva on Jan. 7-8.

Before leaving Brussels on Saturday, Mr. Shultz conferred with Arthur A. Hartman, the U.S. ambassador to the Soviet Union, who had traveled to the Belgian capital for discussions about the Geneva talks.

Most of the debate within the U.S. government is centering on the related subjects of anti-satellite weapons, which are being tested, and the longer-range research program for developing new types of defensive weapons against incoming missiles.

In agreeing to the Geneva talks, the Soviet Union said that it wanted to give priority to a ban on space weapons. The United States, which is committed to developing defensive space weapons, is more interested in resuming the suspended negotiations on offensive weapons, such as the medium-range missiles in Europe and long-range, or strategic, nuclear forces.

An aide to Mr. Shultz said recently that there was a correlation between offensive and defensive weapons.

"The Russians want to stop us

from going ahead with new defensive weapons," he said, "but we believe those weapons provide stability and it is their big offensive missiles that cause instability."

To bolster the discussion, the United States has proposed so-called umbrella talks, in which all issues would be taken up in one forum and working groups would handle details.

Mr. Shultz's aides said that Paul H. Nitze, the medium-range missile negotiator who has been made adviser to the secretary of state, would be the logical person to represent the United States in the umbrella forum if the concept were accepted by the Soviet Union.

Although the United States is ready to resume negotiations on offensive weapons, there is apparently no agreement within the government on what to do about space weapons.

President Reagan seems committed to going ahead with the space defense effort, and the Pentagon is apparently opposed to any moves that might halt this development program. The Pentagon has also said that it does not believe there can be a verifiable ban on anti-satellite weapons.

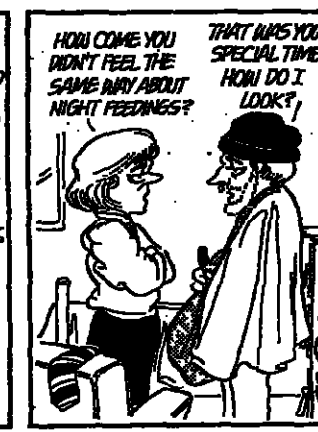
Dalai Lama Rules Out Visit to Tibet Next Year

Reuters

NEW DELHI — The Dalai Lama, Tibet's spiritual leader exiled since 1959, ruled out Sunday the possibility of visiting his homeland next year, saying that Beijing was insisting that if he went to China he stay in the capital.

"I would still like to make a short visit to Tibet but such a visit will not be possible in 1985," he said in a statement. The statement was the first the Dalai Lama had made since a top-level delegation returned earlier this month from talks in Beijing on a possible visit.

DOONESBURY



LETTERS TO THE EDITOR

(Continued from Page 4)

who are abused and neglected, and without recourse to such a protective system of alternative custody. Abusive parents are often possessive of their rights over their children, regardless of the treatment they subject them to. Such children are often reduced to being the parents' exclusive property, to be treated as the parents please regardless of the outcome — which can be a fatal one.

While I am prepared to believe that the Swedish system has elements, it is a fact that Sweden's protective policies in health, education and welfare have resulted in the lowest child morbidity and mortality rate in the world. Erring on the side of child protection, and support of parents with such necessary services as day care, are preferable to treating children as the sole responsibility of parents and giving them and their families no services.

Recent national scandals in the United States involving sexual abuse of children in day-care centers with underpaid and unsupervised personnel make government-supervised services seem sensible even if they are more costly. For does not every society have a stake in child welfare?

MARION HUNT, Paris.

The Upshot in Grenada

In response to the editorial "A Look Back at Grenada" (Dec. 11):

The New York Times offers a rather dubious "happy ending," Washington-style, to the tragic force of Grenada. As usual, Uncle Sam is portrayed in the end as a kindly dispenser of "democracy" regardless of the actual events that led to the dispensation.

Justification for the invasion on the grounds of U.S. security simply holds no water. No conceivable arrangement of dominions could possibly lead to a plausible scenario wherein the world's most powerful nation is brought to its knees in a chain reaction initiated by an island of 110,000 people. The idea of a threat to Grenada's neighbors is equally unjustified. Dominicans under the repressive rule of Washington, supported by Prime Minister Eugenia Charles, for example, have more to fear from their own regime than from any configuration of New Jewel leaders.

Put simply, Grenadians had a forced choice under Maurice Bish-

op. Rebuffed by Washington, he had to retreat into the octopus embrace of the Soviet bloc, a fact referred to only fleetingly in the editorial. The invasion had been planned many months in advance, beginning with naval exercises projecting an invasion. Washington made the Grenadian people's decision for them a long time ago.

Meanwhile, the sad fact remains that Grenadians now accept America's "benevolent stewardship" — not democracy — in the same way that starving children accept handouts of coins tossed at them. And thus a new nation has joined Washington's Third World allies: the best group of friends money can buy. What happens, however, when the money runs out?

KEVIN SHELTON, Nantes, France.

Schools Would Suffer

In his otherwise excellent opinion column in praise of the U.S. Treasury Department's proposed tax reform ("Reagan's Sensible Proposal," Dec. 7), Joseph A. Peckham claimed that the proposed 2-percent floor for charitable deductions would have little effect on donations to "church, the Red Cross or the Girl Scouts," while the lifting of the 50-percent ceiling "would encourage wealthy taxpayers to give more to their alma maters, local operas" and so forth.

My problem, as an alumni donation solicitor, is that my high school alma mater is a 24-year-old institution of excellent quality but no endowment; alumni are few, and "wealthy taxpayers" among them

are fewer. As most of my classmates graduate from college this year and go on to jobs of \$15,000 a year perhaps, it will be hard to convince them to donate \$300.

IAN WATSON, Paris.

Terrorist Than Ever

You report concern to increase the security of U.S. embassies around the world ("State Department Gears Up to Combat Terrorists," Dec. 3). Additional funds might also be spent to renovate the speech of embassy spokesmen.

The general feeling in the Foreign Service is that the work is getting "dangerooser and dangerooser," a spokesman for the U.S. Embassy in Mexico City says. Read, more and more dangerous — the correct comparative form for a three-syllable word.

EVAN PROCTOR, Rabat, Morocco.

Have they stopped teaching English to Foreign Service officers? LAURIE ALEXANDER, Albermarle, Spain.

England Isn't Britain

Foreigners, and indeed many English people, persistently talk of England when they mean Britain. Now your report "Gibraltarians Grateful for Fact" (Dec. 11) makes the opposite mistake of confounding Britain with England.

Gibraltar was not seized by a British and Dutch fleet in 1704 — it was seized by an English and Dutch fleet. No Scottish warships were involved. And there was to be

no British navy until after the Treaty of Union between Scotland and England in 1707.

JOHN P. MILLER, Poissy, France.

On Baby Fae's Ordeal

Regarding the editorial "Baby Fae's Life and Death" (Nov. 26):

It is time to defend babies from trans-species transplants. No animal lived more than six months after such an operation, according to your editorial. Not even one animal even approximated a normal life span. I never questioned animal experimentation before. I now do.

I am glad for Baby Fae's sake that she only had a month of it. LEONTINE C. TINTNER, Vienna.

A Four-Year Embargo?

You have printed columns depicting the frivolity and hypocrisy that did indeed attend the recent U.S. elections. But you do us to more of the same as even now your reporters speculate on the viability of potential candidates four years hence. I urge you to stop encouraging our system's few inevitable flaws. Announce that you will publish no further talk of the next U.S. presidential election before 1988.

MARK SHAPIRO, Boulogne-Billancourt, France.

Genscher Plans Visit To Prague

Reuters

BONN — Foreign Minister Hans-Dietrich Genscher of West Germany, due to begin an official visit to Czechoslovakia on Tuesday, was expected to visit the West German Embassy in Prague where East Germans seeking exit visas to the West have been camped since early October.

The three-day visit was announced Saturday by the Foreign Ministry. Government sources said that Mr. Genscher would personally assess the embassy problem while in Prague.

Mr. Genscher's talks with Czechoslovak leaders were not expected to touch on the situation at the mission, where about 40 East Germans began a hunger strike on Friday, diplomatic sources said.

The talks were expected to include East-West relations, cross-border pollution and transport, and human rights issues.

The government sources said the visit was not announced until Saturday in an effort to avoid the kind of complications that led to the cancellation of previous visits between West Germany and its Eastern bloc neighbors.

Last month, Mr. Genscher canceled a trip to Poland at the last minute, saying that Warsaw had laid down unacceptable conditions. In September, the leaders of East Germany and Bulgaria abruptly called off visits to West Germany.

More than 140 East Germans seeking asylum moved into the Prague mission in early October, but Western diplomats said many have since returned home. The number remaining has been estimated at 70.

Czechoslovakia has indicated that it viewed the embassy situation as a matter between East Germany and West Germany.

East Germany has insisted that would-be emigrants return home and apply for exit visas through normal channels, promising not to punish them.

The Daily Source for International Investors.



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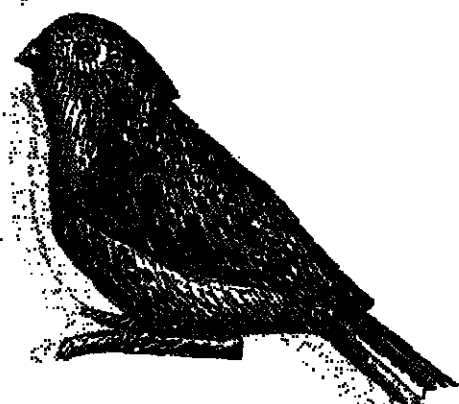
Their scattered, multi-colored banks of birds, in the mild climate of the lagoons of the South.

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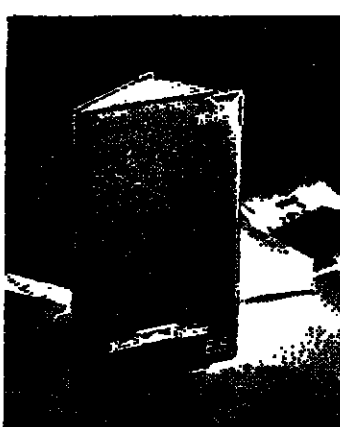
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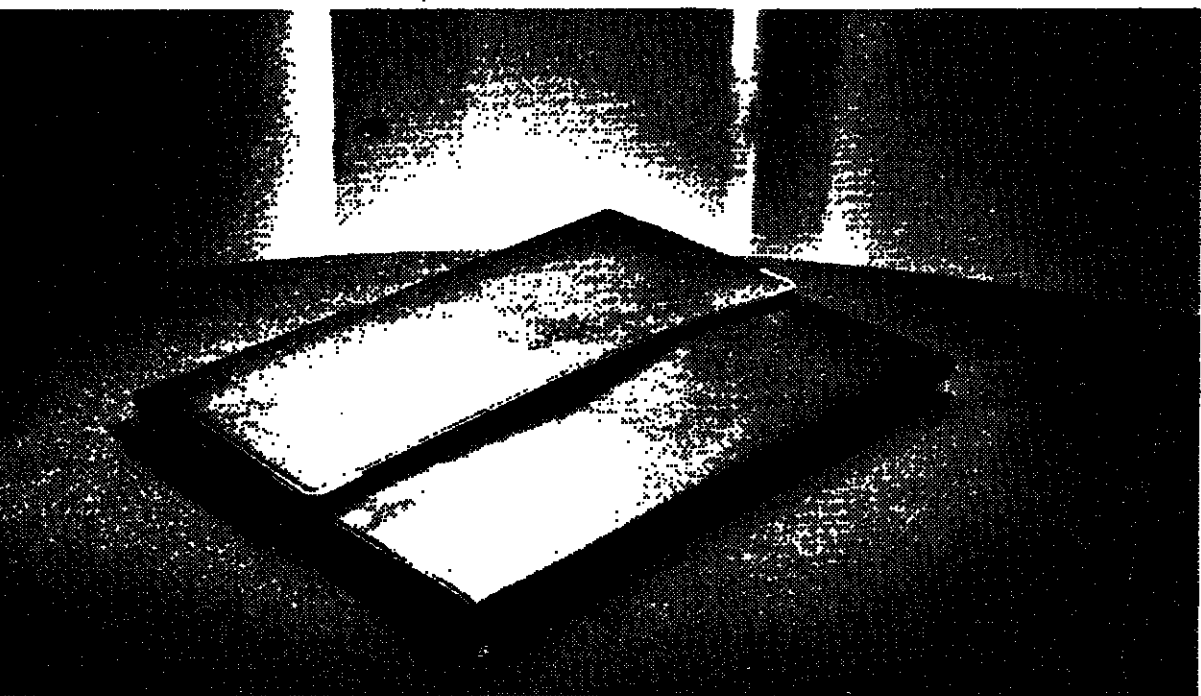


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Book Says Chou Saved Several From Red Guards

The Associated Press

BEIJING — A new collection of writings by the former Chinese prime minister, Chou En-lai, reveals a previously secret list of well-known figures he protected from Red Guard radicals at the start of the 1966-76 Cultural Revolution.

Those he vouched for included Soong Ching-ling, widow of China's first president, Sun Yat-sen; a former warlord; two generals who fought against the Communists; and a former president of the Chinese Academy of Sciences.

Chou ordered police to guard their homes and told a hospital to receive some of them for their own protection, the book says.

Volume 2 of the "Selected Works of Chou En-lai," which went on sale Saturday, was prominently announced in major newspapers. Volume 1 was released in 1981, five years after Chou died at age 78.

Chou has been credited with containing excesses of the Cultural Revolution, when the party chairman, Mao Tse-tung, and followers known as the "Gang of Four" plunged China into near-anarchy. Thousands of intellectuals, professionals and political moderates were persecuted, jailed, assaulted and killed.

A Communist from the age of 24, Chou was Mao's longtime associate and prime minister for a quarter of a century. Although considered a stabilizing force during the Mao years, he publicly backed Mao and set up China's public security apparatus.

Little has been disclosed about Chou's specific actions during the Cultural Revolution, though Chinese have said he worked behind



Chou En-lai

the scenes to subvert gangs of youthful Red Guards who were urged by Mao to topple the establishment.

In a chapter titled "Notes and Telegrams on the Protection of Cadres," the book reprints some of Chou's writings meant to counter Mao's wife Jiang Qing, leader of the Gang of Four, and Lin Biao, a former defense minister and Mao's one-time lieutenant who later was accused of trying to kill him.

The chapter contains a list Chou made of 12 important people to be exempted from harassment. Among them were Soong Ching-ling, then a deputy prime minister, and Guo Moruo, vice chairman of the National People's Congress and president of the science academy. Mrs. Soong died in 1981. Mr. Guo died in 1978.

Others listed included Fu Zuoyi, a warlord who successfully negotiated with the Communists to spare Beijing from destruction during the civil war.

Jiang Guangnai and Cai Tingkai, former Nationalist generals who defected to the Communist side, also were on Chou's list.

China Financed Plot, Vietnam Dissident Says

Reuters

HO CHI MINH CITY — The alleged leader of a group of 21 dissidents on trial here has said in court that China helped arm and finance a plot to overthrow the Vietnamese government.

The prosecution has charged the 21 defendants with taking part in a plot to topple the government with the support of China, Thailand and the United States. Prosecutors said the plot included a plan to launch widespread terrorist operations in the country in 1985 in an attempt to embarrass and destabilize the government.

A prosecutor said the plot "would have been tremendously damaging to the revolution."

The 21 defendants are among more than 100 rebels reported to have infiltrated Vietnam since 1981. The defendants, in testimony Sunday, said most of the rebels were recruited from among Vietnamese refugees living in Thailand.

On Saturday, an alleged leader of the plot, Mai Van Hanh, testified that the group received arms and money from China and that

training for the operation took place in Thailand. He said he had made several trips to Beijing to discuss the plot with Chinese officials.

The prosecution has said the aims of the group, called the United Front of Patriotic Forces for the Liberation of Vietnam, included kidnapping or killing French and Russian diplomats and technicians to disrupt Hanoi's relations with those countries.

The trial, which began Dec. 7, is being held in the building that was once the National Assembly of the U.S.-backed Saigon administration before the reunification of North and South Vietnam in 1975.

The 21 defendants are all charged with treason and espionage.

Waltz, or Disco, Soviet Dancers Are Out of Step

Reuters

MOSCOW — A Moscow newspaper hit out Sunday at young Russians for not being able to dance properly, either ballroom dancing or disco.

The trade union newspaper Trud said Russians had forgotten the waltz and fox-trot and were useless at disco-dancing.

Couples were embarrassed when they had to dance a traditional waltz at weddings. When the music changed to upbeat modern hits, the dancing was scarcely better, it said.

The newspaper recommended that professional troupes of dancers give displays at the beginning of each disco night at local recreation clubs.

Vietnam Claims China Shelled 2 Provinces

The Associated Press

TOKYO — China conducted a massive shelling of Vietnam's northern provinces early this month, firing more than 38,800 rounds of ammunition across the border, according to a Vietnamese report monitored here Saturday.

The report by Radio Hanoi also said Vietnamese forces killed 130 Chinese soldiers and took a number of prisoners during fighting Dec. 1-10 in Vietnam's Lang Son and Ha Tuyen border provinces. It said that later, in a Dec. 13-14 battle in Bi Duen district of Ha Tuyen, 55 Chinese soldiers were killed.

Conservatives Upset Ruling Party in Belize Election

By David Pitt

NEW YORK TIMES SERVICE
BELIZE CITY, Belize — The conservative opposition in this Central American democracy has scored a sweeping election victory over the center-left government of Prime Minister George Price.

Mr. Price, the dominant political figure in Belize for more than 20 years, will be succeeded by Senator Manuel Esquivel, 44, a physics teacher who left his job nine months ago to lead the opposition.

Foreign diplomats, many of whom had predicted a close election, expressed surprise at the magnitude of the prime minister's loss. Final results in Friday's balloting for the 28-seat lower house of the National Assembly showed the opposition United Democratic Party with 21 seats and Mr. Price's People's United Party with 7.

But one voter, Luke Davis, said, "I wasn't surprised. People got tired of Mr. Price. We needed a change."

The elections were the first national referendum in Belize since Mr. Price led it to independence from Britain in 1981.

The issue of economic freedom played a major role in the campaign, with the United Democratic Party calling for more foreign investment and less government control of the economy, which it argued had stifled individual initiative.

So extensive was the repudiation of the government that Mr. Price lost his own Belize City seat, the first time he has been defeated in an election in his 30-year political career. The victor was Derek Aikman, a 25-year-old city councilman who was the youngest candidate on the ballot. The vote was 876 to 570.

Under Belize's parliamentary system, patterned after Britain's, the governor general will ask Mr. Esquivel to form a new government. He said Saturday that he

would be ready to assemble his cabinet by Monday. He added that Mr. Price had telephoned him Saturday morning with congratulations.

Mr. Price's downfall appeared to be rooted not in Belize City, a longtime opposition stronghold, but in the outlying districts of this nation of 150,000 people.

The prime minister, a tireless campaigner, is said to have learned the names of most families during routine visits in the countryside. But for reasons that seemed more to do with weariness of his government than specific grievances, his longtime supporters forsook him in droves.

The issue of future relations with the United States loomed large during the campaign. Of special interest has been the possibility that Washington will play a role in settling a festering territorial dispute between Belize and neighboring Guatemala. The Guatemalans have claimed Belize as their own territory since the mid-19th century.

Britain has kept 1,800 troops in Belize to guard the borders against a possible invasion by the Guatemalan Army. In 1981, Britain pledged to stay for an "appropriate period," and a British source here said that the Thatcher government had originally set a target date for withdrawal of December 1982. It has been repeatedly put off, in large part because of uncertainties about the political situation in Guatemala.

The British have made no secret of their interest in leaving, but the opposition has long been adamant that they stay indefinitely and has suggested that Mr. Price has not been doing enough to ensure this.

The British military presence contributes nearly 15 percent of this sugar-producing country's gross national product of around \$300 million a year. Some commentators here suggested that Mr. Es-



Manuel Esquivel and his wife, Katherine, left the polls in Belize City after voting in Belize elections that swept him to power as prime minister of the Central American nation.

quivel's victory would put off a Belize departure even longer.

Many Belize citizens said Mr. Esquivel's victory had much to do with what they described as his forceful and articulate presentation of the United Democratic Party platform, stressing faster economic development, and his rock-solid reputation as an upright family man in a political arena noted for innuendo and mud-slinging.

Like 40 percent of Belize's population, Mr. Esquivel is of Latin extraction, and his family has lived in Belize for many generations.

He earned a bachelor's degree in physics from Loyola University in

New Orleans. He later acquired an education certificate in physics at Bristol University in England, where he met his wife, Katherine. They have three children.

Mr. Esquivel, like Mr. Price, is a Roman Catholic, and taught at the Jesuit-run St. John's Junior College in Belize City until he quit nine months ago to devote himself full time to the party.

In 1973, he helped found the United Democratic Party and was party chairman from 1976 to 1982. He also served two terms on the Belize City Council. He was named to the Senate, an appointive body, in 1979.

Salvador Army May Not Honor Rebel Cease-Fire

By Dan Williams

LOS ANGELES TIMES SERVICE
LA PALMA, El Salvador — The armed forces of El Salvador will carry on "as usual" during the Christmas and New Year's holidays, according to the chief of staff, Colonel Adolfo Blandon.

His statement on Saturday threw into question the military's willingness to reciprocate on two brief holiday truce periods unilaterally offered by leftist guerrillas.

Earlier last week, civilian officials of President Jose Napoleon Duarte's government accepted the cease-fire. They said government forces would suspend offensive operations against the rebels during the two 72-hour holiday periods.

But Colonel Blandon, in an interview Saturday in this northern mountain town, declined to confirm that arrangement.

"The armed forces will function as usual," he said. "First, we have the constitutional duty to provide security for the country. Our operations follow plans made six months in advance and it is important for us to follow them."

He was asked whether the armed

forces command had agreed to suspend offensive actions during the holidays. Colonel Blandon answered only: "That is a military question."

His comments reflected army resistance to a cease-fire. Many officers contend that a truce simply gives the guerrillas breathing space and puts the rebel forces on equal standing with government troops.

With this attitude becoming more evident, it is not clear how much further the Duarte government can go to secure any future longer-lasting cease-fires.

On Tuesday, guerrillas of the Farabundo Marti National Liberation Front offered a unilateral truce. The rebels offered to limit their fighting to self-defense during two three-day periods over Christmas and New Year's.

In accepting the truce, government officials called the proposal an important step toward a third round of peace talks between government and rebel representatives. The military had remained silent until Saturday.

[President Duarte said at a separate ceremony in San Salvador on Saturday that, although he still regarded the guerrillas' truce call as positive, he would order the armed forces to guarantee security throughout the country over the holiday period, Reuters reported.]

New Death Squad

A new rightist "death squad" surfaced Saturday in El Salvador, vowing to avenge the death of a leading military commander and to "demolish all Communist elements" in the U.S.-backed govern-

ment, United Press International reported.

The group said in a statement that it would call itself the Domingo Monterrosa Command in memory of Lieutenant Colonel Domingo Monterrosa, the country's leading military strategist, who was killed in an Oct. 23 helicopter crash.

Because the Salvadoran government has not accounted for the deaths of Lieutenant Colonel Monterrosa, three other field commanders and 10 others in the crash, "this command will take control of the affair," the statement read.

Ultra-rightist paramilitary death squads are deemed responsible for many of the 50,000 killings during the country's five-year-old civil war.

Nicaraguan Editor Says He Is Not in Exile

By Joseph B. Treaster

NEW YORK TIMES SERVICE
MIAMI — Pedro Joaquín Chamorro Jr., the director of the Nicaraguan opposition newspaper La Prensa, said that while censorship was stifling the paper he had no intention of going into exile in protest.

Interviewed Friday as he prepared to board a flight to San José, Costa Rica, Mr. Chamorro said that he had told journalists in Washington on Thursday that he might not return to Managua because of government-imposed travel restrictions and censorship of his

newspaper. Mr. Chamorro left Nicaragua on Nov. 15 to attend journalism conferences in Tokyo and Madrid.

But he said he learned on Friday that the restrictions that had prevented 28 businessmen and opposition leaders from leaving Nicaragua had been lifted. He added that he hoped and expected that censorship of his newspaper would be eased, and he said he would probably return to Managua after spending the holidays with his wife and four children in San José.

Mr. Chamorro said his family had been living in San José for

almost a year because he did not want his children in schools where what he called Marxism-Leninism was being taught.

Mr. Chamorro said the Nicaraguan government had delayed his departure from Managua for Tokyo. With travel restrictions in effect on others, he said, he was concerned that he might be unable to leave Nicaragua again to visit his family.

"I do not consider myself in exile," Mr. Chamorro said. "I have not made a final decision, but it is likely I will return after Christmas."

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Herald Tribune BUSINESS/FINANCE

MONDAY, DECEMBER 17, 1984

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EUROBONDS

Yields Rise Due to Pricing Of \$1-Billion Debt Issue

By CARL GEWIRTZ
International Herald Tribune

PARIS — Despite recurrent hopes that dollar interest rates will decline further, yields on Eurodollar bonds moved up last week. This was the result of the pricing on the \$1-billion package of debt sold by Prudential Real Estate Securities, which is guaranteed by AAA-rated Prudential Insurance of America.

The financing, designed to restructure Prudential's portfolio of residential mortgages, comprises seven- and 10-year straight bonds and a 15-year issue of zero-coupon bonds.

The complexity of structuring the package and the likely long delay in getting approval by the Securities and Exchange Commission to offer the debt in the United States meant that the paper, which had to be sold immediately, had to be offered in the Eurobond market. And because the market had largely closed down for the year-end holidays, Prudential had to offer terms that would compel attention.

Thus, its \$386.05 million of seven-year notes were offered at par bearing a coupon of 11 1/2 percent. The generosity of this pricing can be measured against the 11 1/4 percent coupon that Kellogg offered earlier this month on its seven-year deal. The only complaint heard about the Prudential note was that the sinking fund starts operating in the first year.

This means that investors who are attracted by the high yield cannot be sure how long they will actually be able to hold onto the paper because there is no way to know which bonds will be drawn. This is bad news for investors if interest rates decline and paper bearing a coupon of 11 1/2 percent is sought after, because the operation of the sinking fund will keep the price of the notes from rising to the full potential. On the other hand, it is good news if rates rise, because the sinking fund will help to support the price of the notes in the secondary market.

In fact, there have been virtually no Eurodollar bonds sold this year with sinking funds. The rationale driving the market has been that interest rates will continue to ease and that fixed-coupon paper will generate hefty capital gains as bond prices rise to bring yields into line with the lower level of rates.

As a result, most borrowers this year have preferred to rely on early redemption — giving them the right to call an entire issue at premiums that decline with the age of the issue. Usually, however, holders are assured of at least five years free of any call.

THE Prudential notes, for the lucky holders whose paper is not redeemed by the sinking fund, are not callable until 1991 and then at a premium price of 102.

However unattractive the sinking fund may be to potential investors, the dissatisfaction did not affect the marketing of the paper. Lead manager Salomon Brothers expressed satisfaction about the demand and quoted a price of 98 1/4 bid, 98 1/4 offered.

The company's \$345.69 million of 10-year bonds, offered at par with a coupon of 12 1/2 percent was also viewed as generously priced. Late last month, for example, Sweden offered a coupon of 11 1/4 percent on bonds maturing in 1994.

Prudential's 10-year bonds offered investors greater protection than the seven-year notes since the sinking fund does not begin to operate until 1991. The entire amount is callable starting in 1993 at a premium price of 102.

The 15-year zero-coupon bond is for a nominal amount of \$365.22 million, but only \$76 million is actually being taken by Prudential because the paper was offered at a steep discount of 20.85 percent of face value. Paying \$208.50 for paper that will be redeemed for \$1,000 means an investor will earn the equivalent of 11.85 percent interest a year.

The entire package, like virtually all the issues launched last week, is payable next year — Jan. 15 for the Prudential issue. It was not possible to ascertain whether the terms on the Prudential paper stirred investors out of their year-end reverie or whether it only appealed to intermediaries who were confident of being able to find final takers after the holidays. But the pricing clearly distorted the secondary market where the prices of lower yielding U.S. corporate issues tumbled.

At present, it is not clear whether the Prudential terms have set a new level at which the Eurobond market will function, or whether the terms will come to be viewed as a generous aberration because of the large size and awkward timing.

The Federal Reserve may provide the answer if, as many

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Last Wk.	Prev. Wk.	% Chg.
DJ Indus.	1,175.91	1,163.25	+1.09
DJ Indus. 30	1,175.91	1,163.25	+1.09
DJ Trans.	334.99	322.70	+3.83
S & P 500	199.81	198.87	+0.47
S & P 500	199.81	198.87	+0.47
NYSE Comp.	93.92	92.52	+1.42

Britain	Last Wk.	Prev. Wk.	% Chg.
FTSE 100	1,204.80	1,190.10	+1.24
FTSE 100	1,204.80	1,190.10	+1.24

Hong Kong	Last Wk.	Prev. Wk.	% Chg.
Hong Kong	1,142.09	1,122.10	+1.78

Japan	Last Wk.	Prev. Wk.	% Chg.
Nikkei DJ	11,418.15	11,466.00	-0.41

West Germany	Last Wk.	Prev. Wk.	% Chg.
DAX	1,141.15	1,146.60	-0.41

France	Last Wk.	Prev. Wk.	% Chg.
CAC 40	1,141.15	1,146.60	-0.41

Italy	Last Wk.	Prev. Wk.	% Chg.
FTSE 100	1,204.80	1,190.10	+1.24

Spain	Last Wk.	Prev. Wk.	% Chg.
IBEX 35	1,141.15	1,146.60	-0.41

Belgium	Last Wk.	Prev. Wk.	% Chg.
CEX 30	1,141.15	1,146.60	-0.41

Netherlands	Last Wk.	Prev. Wk.	% Chg.
AEX 100	1,141.15	1,146.60	-0.41

Sweden	Last Wk.	Prev. Wk.	% Chg.
OMX 20	1,141.15	1,146.60	-0.41

Denmark	Last Wk.	Prev. Wk.	% Chg.
OMX 20	1,141.15	1,146.60	-0.41

Finland	Last Wk.	Prev. Wk.	% Chg.
HEX 100	1,141.15	1,146.60	-0.41

Norway	Last Wk.	Prev. Wk.	% Chg.
OSEX 20	1,141.15	1,146.60	-0.41

Switzerland	Last Wk.	Prev. Wk.	% Chg.
SIX 100	1,141.15	1,146.60	-0.41

Australia	Last Wk.	Prev. Wk.	% Chg.
ASX 100	1,141.15	1,146.60	-0.41

Money Rates

United States	Last Wk.	Prev. Wk.	% Chg.
Discount rate	8.50	8.50	0.00
Federal funds rate	8.50	8.50	0.00
Prime rate	11 1/4-11 1/2	11 1/4-11 1/2	0.00

Japan	Last Wk.	Prev. Wk.	% Chg.
Discount	5	5	0.00
Call money	4.50	4.50	0.00
3-month interbank	4.50	4.50	0.00

West Germany	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

France	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Italy	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Spain	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Belgium	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Netherlands	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Sweden	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Denmark	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Finland	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Norway	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Switzerland	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Australia	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Canada	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

New Zealand	Last Wk.	Prev. Wk.	% Chg.
Discount	5.50	5.50	0.00
Call money	5.50	5.50	0.00
3-month interbank	5.50	5.50	0.00

Caution By OPEC Expected

Little Change Seen on Prices

By Bob Hagerty
International Herald Tribune

LONDON — The Organization of Petroleum Exporting Countries, scheduled to meet Tuesday in Geneva for its year-end summit on oil prices, will likely make minor pricing adjustments but leave its official structure far out of line with market reality, industry officials say.

Indeed, many analysts say, they remain deeply skeptical about the cartel's ability to prop prices any longer in the face of declining demand, quota cheating by individual OPEC members and new refining technology that permits increasing use of heavier crudes.

"You don't want to be betting on prices going up," a senior supply executive at a major U.S. oil company said Friday. "You'd go out of business that way."

OPEC's increasing ineffectiveness is reflected in the failure of its Oct. 31 production accord to dry up the oil glut and firm prices.

Announcing that accord, Sheikh Ahmed Zaki Yamani, the Saudi oil minister, predicted that prices on the spot, or noncontract, market would rise to official OPEC levels by the end of November. Instead, prices on the spot market, which accounts for around two-fifths of world oil trade, have continued to slump.

Traders on the spot market last week quoted a price of about \$27.50 a barrel for Arab light, the OPEC benchmark, compared with \$28 at the end of October and OPEC's official price of \$29.

OPEC's inability to control prices is largely the result of lower-than-expected demand. Mild weather has held back purchases of heating oil, and oil companies have refused to let Sheikh Yamani's warnings panic them into building up inventories. At the same time, the U.S. economy has begun to slow.

In addition, OPEC has not reduced output as much as it said it

(Continued on Page 9, Col. 5)

Chemical Firms Fall Under Scrutiny

Bhopal Tragedy Raises Concern For an Industry

By Agis Salpukas
New York Times Service

NEW YORK — For about a week after a cloud of toxic gas killed at least 2,000 people in India, the public spotlight focused on three places: Bhopal, the site of the tragedy; Institute West Virginia, where a similar plant was operating; and Danbury, Connecticut, the headquarters of Union Carbide Corp., owner of both plants.

That spotlight remains strong, and its glare intense. But now its scope includes the entire chemical industry.

From Monsanto Co. in St. Louis, Missouri, to Dow Chemical Co. in Michigan, from Du Pont & Co. and Hercules Inc. in Delaware, to American Cyanamid Co. in New Jersey, corporate executives are fielding the same question from reporters, regulators, environmentalists, community activists, and many of their own employees:

Could what happened at Bhopal happen at one of their plants, here or abroad?

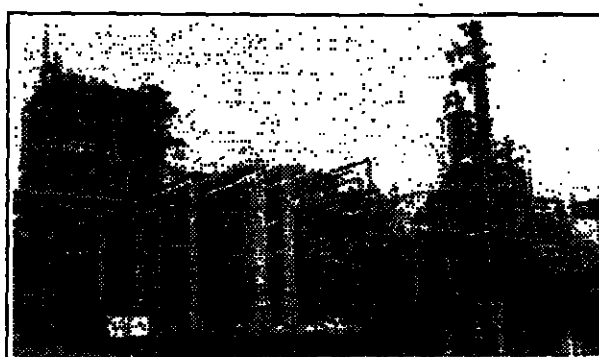
Resisting public comments about Bhopal, "there-but-for-the-fortune-go" mentality is pervading the industry, as executives recognize that Union Carbide's safety practices are neither better nor worse than their own.

Paul F. Orefice, president and chief executive of Dow, said, "We can't judge yet what happened in India and we can't say that nothing will ever happen here."

H. Michael Urdjian, medical director for American Cyanamid and a former Union Carbide employee, said, "I don't take any great comfort that I now work for American Cyanamid and not Union Carbide."

Some chemical companies — Du Pont for example — are waiting for a full report from Union Carbide on exactly what happened at Bhopal before they take any internal action.

But others already are evaluating their plant safety procedures, their community-evacuation plans, their emergency-response



Since the Bhopal accident, this Union Carbide plant in West Virginia has stopped making the same pesticide.

systems — indeed, the entire way they make and use chemicals.

R.A. Smith, director of corporate safety and services at Dow, said, "It would be remiss if we didn't check one more time to make sure there wasn't something that we missed."

In some ways, trying to guarantee safety, particularly at overseas plants, is a bit like shooting in the dark.

There is woefully little data about the health dangers that specific chemicals present.

Strict regulations in many countries where the American chemical industry operates can keep out modern equipment and automated systems.

And no one knows how to eliminate simple human error.

"You can design the best system, but when you deal with people you can create a problem," said Geraldine Cox, vice president and technical director of the Chemical Manufacturers Association, a trade group.

Bhopal could lead to an onslaught of new, costly safety regulations, similar to those that have been levied on the nuclear industry.

That prospect worries chemical industry executives, and many large companies are setting up new mechanisms for formal self-scrutiny. For example:

• Allied Corp. is reviewing all the chemicals it uses to get a better idea of the number of toxic substances involved, and of the adequacy of safety devices and controls.

• American Cyanamid suspended the use of methyl isocyanate, the gas that was released in Bhopal, at its pesticide plant in

BAT Set to Pay \$793 Million for Second Insurer

By Bob Hagerty
International Herald Tribune

LONDON — BAT Industries PLC plans to buy another major British insurer, further reducing its reliance on cigarette sales.

The London-based tobacco, paper and retailing company announced Saturday an agreement to acquire Hambro Life Assurance PLC for \$664 million (\$793 million), or 550 pence a share.

The bid has the backing of Hambro Life's board and already has been accepted irrevocably by shareholders representing 38.5 percent of the company's shares.

The planned purchase comes 11 months after BAT, fighting off Allianz Versicherungs AG of West Germany, acquired another insurance company, Eagle Star Holdings PLC, for \$268 million.

The move into insurance is in line with BAT's aim of building up a financial-services division as "a fourth leg" to its business.

"I think it's a very good deal for BAT," Peter Martin, an insurance analyst at Capel-Cure Myers, said Sunday. He suggested that Hambro Life "might have got a bit more" than 550 pence a share, which compares with 498 pence when trading in the shares was suspended Thursday on the London Stock Exchange.

Roger Harvey of W. Greenwell & Co. called the price "reasonable" but noted that the acquisition would leave BAT's financial-services division heavily concentrated in one market, Britain, and one product range, life insurance and pension plans.

BAT's chairman, Patrick Sheehy, said in an interview that the company eventually would look for financial-service acquisitions in North America and West Germany and said Eagle Star was being encouraged to expand its international business.

Mr. Sheehy would not say which sorts of financial-service businesses BAT might seek.

"We're not confining our search," he said.

BAT has been trying to reduce its dependence on cigarettes for

years, but tobacco profits have proved surprisingly buoyant, boosted in sterling terms by the pound's dive against the dollar and the Deutsche mark.

For 1983, tobacco accounted for 64 percent of operating profit, retailing 19 percent and paper 12 percent. For 1985, Mr. Sheehy estimated, the insurance companies will kick in 5-7 percent of operating profit.

Eagle Star and Hambro Life have a combined share of 6-7 percent of the British life insurance market, Mr. Sheehy said. He described as "minimal" the danger that the British government would insist on reviewing the Hambro acquisition for competitive reasons.

Last April, Charterhouse J. Rothschild PLC, an investment management and banking company, bought 24.9 percent of Hambro Life for £125 million and said it intended to acquire the rest through a share swap. But that plan fell through, largely because the shares of both companies plunged on the stock market.

By selling its Hambro Life shares to BAT, Charterhouse will show a profit of around £40 million.

Guardian Royal Exchange Assurance PLC also has agreed to sell its 10.2-percent stake in Hambro to BAT.

Hambro Life has grown explosively since it was formed in 1971 by Mark Weinberg with £1 million of capital provided by Hambros Bank.

Through its 3,000 salesmen, Hambro Life specializes in selling pension plans and life insurance linked to investments in unit trusts, which are similar to U.S.-style mutual funds.

Mr. Weinberg, who has agreed to join BAT's board and stay with Hambro Life for at least five years, said Eagle Star is experimenting with sales of its products at two department stores owned by House of Fraser PLC.

In contrast to Hambro Life, Eagle Star offers a more traditional line of life insurance and pension plans, as well as other types of insurance, mostly through brokers rather than a direct sales force.

Judge Eases Restrictions On U.S. Telephone Firms

By Reginald Stuart
New York Times Service

WASHINGTON — A federal judge has approved requests by six of the seven regional U.S. telephone companies, which were created last January, to enter a broad range of businesses beyond local telephone service.

Judge Harold H. Greene of the U.S. District Court for the District of Columbia gave the permission Friday by modifying his 1982 order for the breakup of the Bell system.

Domestically, companies would be able to engage in enterprises such as computer sales, telephone-equipment leasing and office-products sales. Overseas, they could offer data processing, consulting, engineering and construction services, among others.

Granting of the waivers represented a marked departure from the restraints embodied in the divestiture orders, which limited the newly independent companies to local telephone service.

Judge Greene said that in authorizing the waivers, he was insisting on safeguards to make sure local telephone customers would not be forced to subsidize other lines of business and to protect the public from anti-competitive practices, such as an attempt to tie sales of office equipment to purchases of telephone services.

The new businesses must be conducted through separately man-

aged and financed subsidiaries. They will be subject to monitoring and investment in them must not exceed 10 percent of a regional holding company's revenues.

The waivers involved 13 requests, the first of many the companies are expected to file as they try to establish what new lines of business they can undertake.

Investment analysts said the rulings were a positive step for the regional telephone holding companies, which among them have several million stockholders.

The court approved requests by three companies to pursue foreign ventures in the telecommunications business. The companies are Nynex, the holding company serving parts of seven Eastern states through the New York Telephone and New England Telephone companies; Pacific Telesis, which serves California and Nevada, and US West, the regional holding company serving the Rocky Mountains and the Northwest.

New Eurobond Issues

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield of offer	Price end week	Terms
FLOATING RATE NOTES							
Credit for Exports	\$155	1992	1/4	100	—	100	Over 6-month Libor. No minimum coupon. Callable at par on any interest payment date after 1986. Sinking fund to operate throughout life of bond to produce a 5.3-yr average life. Fees 0.15%. Denominations \$10,000. Payable Jan. 2.
Crédit Lyonnais	\$250	2000	1/4	100	—	99.75	Over 6-month Libor. Minimum coupon 50%. Callable at par in 1990. Fees 0.35%. Denominations \$10,000. Payable Jan. 27.
Forretningsbanken	\$30	1997	1/4	100	—	—	Over 3-month Libor. Minimum coupon 50%. Callable at par in 1986 and redeemable at par in 1993. Fees 0.50%. Denominations \$10,000. Payable Jan. 11.
Crédit Foncier	£100	2000	1/4	100	—	99.72	Over 3-month Libor. Minimum coupon 50%. Callable at par in 1990. Fees 0.35%. Denominations £25,000. Payable Jan. 27.
Banco di Roma	ECU 125	1992	1/14	100	—	99.75	Over 6-month Libor for first 3 years and 1/4 over thereafter. Callable at par in 1986. 75 million euros issued initially and 50 million euros reserved for a 12-month top. Fees 0.24%. Payable Feb. 6.
Banco di Sicilia	ECU 50	1990	1/4	100	—	—	Over 6-month Libor. Floating rate certificates of deposit in denominations of \$5,000 euros. Payable Jan. 24.
FIXED-COUPON							
Prudential Realty Securities	\$386.1	1992	11%	100	11%	98.00	Callable at 102 in 1991. Sinking fund to operate throughout life of bond to produce a 4.8-yr average life. Payable Jan. 15.
Prudential Realty Securities	\$545.7	1995	12%	100	12%	98	Callable at 102 in 1993. Sinking fund to start in 1993 to produce a 9.1-yr average life. Payable Jan. 15.
Prudential Realty Securities	\$365.2	1999	zero	20.85	11.85	19.20	Noncallable. Proceeds \$76 million. Payable Jan. 15.
Shikoku Electric Power	\$50	1990	11%	100	11%	100.13	Noncallable. Payable Jan. 30.
Commodore Finance	DM 100	1992	7%	100	7%	99.75	First callable at 101 in 1990. Payable Jan. 2.
European Investment Bank	DM 300	1994	7%	100	7%	99.60	First callable at 101 1/2 in 1991.
European Coal & Steel Community	DM 100	1992	7	99%	7.09	99.25	First callable at 101 1/2 in 1989. Sinking fund to start in 1989 to produce a 6.5-yr average life.
European Coal & Steel Community	ECU 25	1995	10	100	10	99.63	Sinking fund to start in 1991 to produce an 8-yr average life. Payable Jan. 9.
European Investment Bank	ECU 130	1994	10%	100	10%	99.88	Noncallable. Payable Jan. 9. Increased from 100 million euros.
Peugeot Finance Int'l	ECU 50	1990	10%	100	10%	99.50	Noncallable. Payable Jan. 23.
Denmark	¥20,000	1992	6%	100	6%	97.88	Noncallable. Payable Jan. 9.
United Technologies	¥25,000	1991	6%	100	6%	97.75	Noncallable. Payable Jan. 9.
World Bank	¥20,000	1994	6%	99%	6.70	96.75	Noncallable.
Crédit Foncier	¥200	1995	7%	100	7%	—	Noncallable. Sinking fund to start in 1991. Payable Feb. 5.
Bank of New South Wales	Aus\$40	1990	12%	100	12%	97.25	Noncallable. Payable Jan. 31.
Exportifinans	Nkr 250	1992	10%	100%	10.20	—	First callable at 100% in 1990. Payable Jan. 15. Increased from 200 million Nkr.
WARRANTS							
PK Banken	0.05	1990	—	\$11	—	—	Each warrant is exercisable at par into a \$1,000 note of bank's noncallable 11 1/2% of 1992.
EQUITY-LINKED							
Komori Printing Machinery	\$30	1990	8	100	8	98.00	Noncallable. Each \$1,000 bond with one warrant exercisable into 101 company's shares at 2,456 yen each, a 27.0% premium. Exchange rate set at 246.15 yen per dollar. Payable Jan. 9.
Toyo Menka Kaisha	\$50	1999	3%	100	3%	93.00	Semiannually. First callable at 103 in 1989. Convertible at 236 yen, a 7.6% premium. Exchange rate set at 248.15 yen per dollar.
Mitsubishi Metal	DM 100	1989	3%	100	3%	—	Noncallable. Each 4,000-mark bond with one warrant exercisable into 464 company's shares at 995 yen each, a 2.63% premium. Exchange rate set at 80.63 yen per mark.
Nippon Shinpan	DM 200	1990	open	100	—	—	Coupon indicated at 3 1/2%. Noncallable. Each 5,000-mark bond with one warrant exercisable into an equal amount of company's shares at an anticipated 26% premium. Payable Jan. 8. Terms to be set Dec. 17.
Renown	DM 80	1990	3%	100	3%	—	Callable at 101 in 1989. Convertible at 675 yen a share. Exchange rate set at 80.77 yen per mark. Payable Jan. 2.

Eurobond Yields Move Up After Debt Issue

(Continued from Page 7)

analysts expect, it soon lowers its discount rate from the 8 1/2 percent set Nov. 21. A new cut would reduce long-term rates and the bond market would then search for a new, lower level.

Meanwhile, the floating-rate note market continued active with Credit for Exports, whose loans are guaranteed by the U.K. export credit agency, seeking \$155 million; Crédit Lyonnais \$250 million (mostly in the Asia dollar market with Nomura Securities acting as lead manager); Forretningsbanken \$30 million in what amounts to a private placement, and Credit Foncier £100 million (\$119.5 million).

The most talked about floating-rate note was Banco di Roma's 125 million European Currency Units (\$89.9 million), of which 75 million ECU are being offered initially and the remainder to be tapped into the market over the next 12 months. The terms on its seven-year issue, payable Feb. 6, were widely regarded as too cheap. Interest starts at 1/16-point over the six-month interbank rate for the first three years and then rises to 1/4-point over for the final four years.

The margins were deemed too low and the front-end fees, totaling 24 basis points, too stingy.

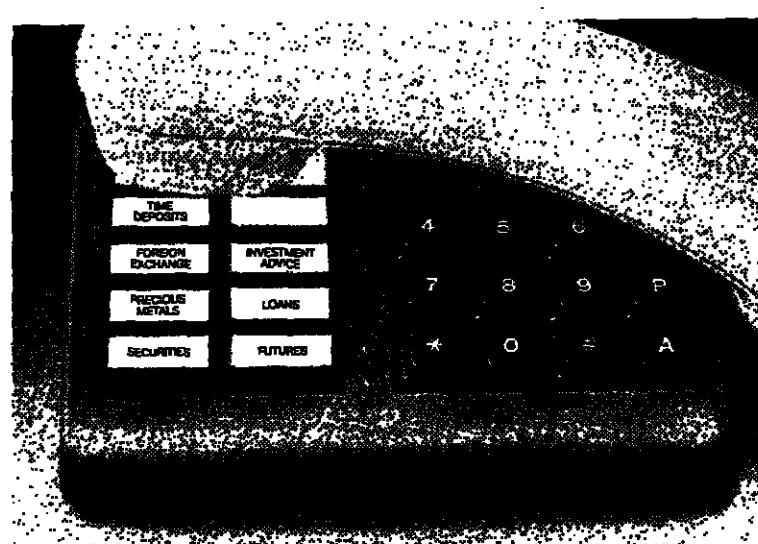
The fixed-coupon ECU market remained active with dealers reporting constant demand. The latest to tap the market is Peugeot, the

French automaker whose incipient financial recovery is now being compared to the revival of Chrysler in the United States. Nevertheless, Peugeot's 50 million ECU of non-callable five-year notes bears a coupon of 10 1/4 percent, a touch more than the European Coal and Steel

Community or the European Investment Bank are paying for 10-year funds.

The Coal and Steel issue is a small, 25 million ECU and bears a coupon of 10 percent, while the EIB offered 130 million ECU with a coupon of 10 1/4 percent.

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Banks Raise Cost to Sweden on Latest Note Issue

By Carl Gewirtz
International Herald Tribune

PARIS — Sweden last week drew again on its \$4-billion hybrid note-loan facility, asking banks to bid for \$300 million of three-month notes and \$100 million (\$119 million) of six-month advances.

The notes drew successful bids from six banks, which offered to take the paper at prices ranging from 9 to 17 basis points below the London interbank bid rate, or Libid. The weighted average price was 11.31 points below Libid. (A basis point is one hundredth of a percentage point.)

By contrast, Sweden's first \$200-million drawing on the note facility earlier this month elicited winning bids ranging from 13.56 to 35 basis points below Libid with the weighted average cost to Sweden at 14.83 points below Libid.

Bankers say that the narrowing between the high-low range of accepted bids, from almost 22 basis points to 8, reflects the greater experience of banks in actually placing such paper. "Banks were probably too aggressive the first time," observed one participant. "I'd expect an even narrower range next time as banks work out where the market really is," he added.

The 3.52-point increase in real cost to Sweden, to 11.31 from 14.83 points below Libid, is not regarded as especially significant — but rather as a reflection of market liquidity and investor appetite at the time of the bidding.

Just how big the potential market is, however, remains an uncertainty. While the U.S. market for commercial paper has \$237 billion of short-term paper outstanding, its European equivalent is just getting under way and may not be all that deep. Bankers report having a difficult time selling the concept to European corporate treasurers, many of whom complain about not having the "back office" facilities to handle such IOUs or the authority from their boards of directors to switch from depositing their spare cash at banks to investing it in notes.

The main attraction of the notes to treasurers is twofold — the yield is comparable or better than they can get on time deposits from banks, and treasurers can diversify their liquid holdings away from the banking market.

The latter point, however, may be less compelling to treasurers than the bankers think. For, however vulnerable banks may be because of their bulging portfolios of bad or doubtful loans, the U.S. bailout of Continental Illinois earlier this year demonstrated that even uninsured foreign depositors can be sure of getting their money back.

Thus, many experts are questioning whether there is an investor market for the roughly \$15 billion worth of Euro note facilities currently outstanding. There is no measure for how much of these facilities have actually been drawn or how much can be shifted to the New York commercial paper market, an option that is included in most facilities.

But the point critics make is that the potential market is not infinite, in the way the interbank market is, and that the ability of borrowers such as Sweden to continue issuing paper at such low cost may be quite limited.

In the sterling operation, Sweden had to seek funds directly from the banks because the Bank of England, like most other European central banks, does not sanction the public sale of promissory notes.

But instead of seeking a direct loan — where all lenders would be equal providers at an agreed upon fixed cost — Sweden requested six-month "advances" from banks.

This leaves banks the option to submit proposals or not and at terms that each deems appropriate — in effect bidding against each other. Sweden is free to accept or reject the proposals.

As these funds are provided by banks rather than institutional investors, Libid — the most optical measure of a bank's own cost of funds — is the floor rate. The bids

extendable to eight at the option of lenders. The novel feature is the inclusion of a tender panel, which would have banks bidding competitively for the bills. The maximum yield on the paper is set at 15 basis points over the maximum acceptance commission — the level at which participants would be obliged to supply funds.

The banks will earn an annual fee of 10 basis points and one-time front-end fees of an equal amount. The only major new financing launched last week was a \$350-million operation for News International, the U.K. subsidiary of Rupert Murdoch's News Corp.

News Corp. has the option to request short-term advances from banks or, if the terms are not acceptable, to draw on a backup line of credit. Banks earn an annual fee of 20 basis points for supplying the backup and will earn 30 basis points over the London interbank offered rate, or Libor, for any drawings for the first five years and 40 points over Libor thereafter.

In other sterling business, Rhône-Poulenc, the French chemicals company, is seeking a \$15-million bankers' acceptance facility. This would run for five years.

SYNDICATED LOANS

range from 6 1/4 to 12 1/4 points over Libid and the average cost to Sweden was 11 1/4 basis points over Libid, agent bank Citicorp International Bank reported.

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SPORTS

Broncos Rout Seahawks, 31-14

The Associated Press
SEATTLE—John Elway passed for one touchdown and ran for another Saturday as the Denver Broncos captured the AFC West title with a 31-14 National Football League rout of the Seattle Seahawks.

Elway had a one-yard touchdown run in the first quarter and a

NFL REPORT

14-yard scoring pass to Jim Wright in the third period of the regular-season finale.

He was intercepted four times by the Seahawks in the first half, but it was the Broncos who made two takeaways in the third quarter to wrap up their third AFC West crown. Denver also won the division in 1977 and 1978.

Tony Lilly and free safety Steve Foley made Denver's big plays in the third quarter as the Broncos went from a 10-7 halftime edge to a 24-7 lead.

Lilly recovered Randall Morris's fumble on the opening second-half kickoff, and Denver went 34 yards in four plays for a touchdown with 2:24 gone in the second half. The Elway-Wright score capped the 34-yard drive. Foley ran back a Dave Krieg interception 40 yards for a score with 10:35 gone in the third quarter.

Denver, which lost to Seattle at home three weeks ago, finished its regular season at 13-3. The Broncos will play the AFC Central winner

— either Cincinnati or Pittsburgh — in Denver in two weeks.

Seattle, 12-4 after losing its final two regular-season games, is in the playoffs as an AFC wild-card team.

49ers 19, Rams 16

In San Francisco Friday night, Joe Montana completed eight straight passes, two of them for touchdowns, in an early hot streak that carried San Francisco to a 19-16 victory over the Los Angeles Rams.

The victory made the 49ers the first team in National Football League history to win 15 regular-season games.

The 49ers, who ended their 15-1 season with a nine-game winning streak, had little offensive success after the first period, in which they built a 14-3 lead.

But the San Francisco defense held Eric Dickerson, the Rams' record-breaking running back, to only 98 yards. Dickerson, who finished the season with a record of 2,105 yards, sat out most of the last quarter.

Los Angeles (10-6) could have clinched a National Conference wild-card playoff berth by winning.

Now they have to wait the outcome of other weekend games to see whether they qualify.

Montana's touchdown passes made his season total a career-high 28.

Saints 10, Giants 3

In East Rutherford, New Jersey, Dave Wilson tossed a touchdown

pass, Morten Andersen kicked a field goal and the Saints' defense sacked Phil Simms seven times Saturday as New Orleans defeated the New York Giants, 10-3.

The defeat of the Giants assured Washington of at least a wild-card playoff berth, and the Redskins could capture the National Football Conference East title by defeating the St. Louis Cardinals on Sunday.

The only way the Giants (9-7) can gain a wild-card berth now is if Washington defeats St. Louis on Sunday and Miami downs Dallas on Monday.

Wilson, who became the Saints' starting quarterback last week, tossed a 2-yard touchdown pass to fullback Hokie Gajan on the team's first possession to cap a 13-play, 72-yard drive. Andersen added a 37-yard field goal with 13:55 left in the game.

Eagles to Stay

The NFL Eagles are to remain in Philadelphia, The Associated Press reported Sunday. Outlining the terms of an agreement to keep the team from moving to Phoenix.

Mayor W. Wilson Good said the city has agreed to increase the number of high-priced box seats at Veterans Stadium and has approved deferred rents from the Eagles, additional security at games and a new practice field for the team.

The Eagles have agreed to a 10-year lease extension that will run to the year 2011.



Eric Dickerson: Finishing with an NFL-record 2,105 yards.

Sweden Bolts to 2-0 Advantage

The Associated Press
GÖTEBORG — Henrik Sundstrom stunned John McEnroe in three straight but tough sets Sunday, giving Sweden a 2-0 lead over the United States after the first two singles matches of the Davis Cup tennis final.

Sundstrom outplayed the world's top-ranked player, 13-11, 6-4, 6-3, in their first meeting ever. It was

DAVIS CUP FINALS

only the third loss this year for McEnroe, who came into the cup final with a 75-2 record in grand prize events.

Earlier in the day, Sweden's No. 1 player, Mats Wilander, routed Jimmy Connors, 6-1, 6-3, 6-3. The United States, winner of the Davis Cup a record 28 times, has never lost in five previous cup matches against Sweden, must win Monday's doubles match to stay alive in the best-of-five series.

Sundstrom came into the final off his best season ever. He beat Ivan Lendl in five sets as Sweden drubbed Czechoslovakia, 5-0, in the cup semifinals and has beaten Wilander twice on clay this year, including the Monte Carlo Open last spring. But Sunday's win was easily the finest victory of his career.

McEnroe's loss came after a seven-week layoff. A three-week ban starting after he won the Stockholm Open Nov. 5 and a wrist injury sidelined him competitively until Sunday. He did not start practice until two weeks ago. But Sundstrom — who was not certain he would play singles here until Christmas Friday, on the eve of the draw — played brilliant clay-court tennis.

He covered the court extremely well, returned and served as well as ever and showed plenty of heart when it counted.

McEnroe, whose serve deserted him for long spells, twice had double set points in the see-saw first set, which lasted more than two hours.

The American first two set points came when Sundstrom fell behind, 15-40, and trailed 7-8. McEnroe netted a return and Sundstrom then got back to deuce after a volley. Behind 10-11, Sundstrom got into trouble again but rallied from 15-40 to finally hold his service.

Playing his first cup final, Connors was never really in the opening match. The U.S. veteran, who had not played competitively for five weeks, broke Wilander's serve in the opening game, but after that the Swede took charge.

Connors failed to hold serve until the third game of the second set

— 59 minutes into the match. Wilander, match-tough after defending his Australian Open title a week ago, broke three times in the first set, Connors won only one point and was broken to love twice.

After trading early breaks in the second set, Wilander broke again for a 4-3 edge as Connors's lunging return sailed just past the baseline after a long rally. Wilander then held at love and broke again to take a 2-0 set lead.

Wilander was leading, 4-3, in the third set with Connors serving and leading, 30-15. Realized a point earlier for verbal abuse, Connors lost the third set's eighth game on a penalty for audible obscenity. Wilander then served for and won his 13th straight Davis Cup singles victory.



Mats Wilander, a straight-sets victor over Jimmy Connors.

Hatcher and Sandoval Retain Their WBA Crowns

Compiled by Our Staff From Dispatches
FORT WORTH, Texas — Gene Hatcher retained his World Boxing Association junior welterweight championship here Saturday night with a 15-round split-decision victory over Ubaldo Sacco of Argentina.

Meanwhile, in Miami Beach, Richie Sandoval stopped Cardenio Ulloa in the eighth round in defense of his WBA bantamweight title.

In the junior welterweight bout, Sacco was ahead on one judge's card, 145-141; Hatcher, a native of Fort Worth, won the other two, 142-141 and 144-140. Sacco had built up an early lead, but Hatcher wore him down with a relentless attack.

"I knew I pulled it out, but I know it wasn't unanimous," Hatcher said. "I would have been unhappy if it had been unanimous."

Sacco's left jab piled up points through the first three rounds, and in the fourth it opened up a cut over

Hatcher's left eye. But in the fifth Hatcher started to catch up, landing two solid rights midway through the round.

The champion continued to land with his right, but in the eighth a straight left sent Sacco into the ropes. The Argentine rallied in the next two rounds, cutting Hatcher below the right eye in the ninth.

Hatcher, with a straight-ahead, slugging style, floored Sacco with a right hook in the 11th for a standing eight count. Hatcher continued on the attack, and by the 13th round the Sacco's left jaw was badly swollen. Sacco backedpedaled the remainder of the fight.

In Miami Beach, Sandoval overcame a slow start during which he suffered a first-round cut under his left eye and a fourth-round knockdown that finally ended when he caught Ulloa with a flurry of unanswered punches in the eighth. Referee Ernesto Magana of Mexico stopped the bout at 2:31 of the round, ending Ulloa's hopes of becoming the first Chilean to win a world boxing title.

"When he hit me I went down, but he couldn't finish me off," Sandoval said. "As the fight went on, I was dominating. He's a good fighter, but maybe he needs a little more experience."

Ulloa said he doesn't want any more experience for the time being. "I put all my hopes in the fight," he said. "At this time, I'm very demoralized."

Both fighters opened cautiously, but near the end of the first round, Ulloa caught Sandoval with a right that opened the cut under the champion's eye.

In the second, Sandoval floored the challenger with a solid right, but Ulloa had his best round in the third, when he decked Sandoval with a short left.

The champion dominated the next four rounds to improve his record to 25-0. The victory was his second title defense since he took the crown with a 15th-round knockout of Jeff Chandler in August. The loss was the first in 31 fights for Ulloa.

Chang Keeps WBC Title

Chang Chung-ku of South Korea

kept his World Boxing Council light flyweight championship with a unanimous 12-round decision over Tadahshi Kuramochi of Japan, United Press International reported Saturday from Seoul.

It was Chang's fifth successful defense since taking the crown from Hiyarito Zapata of Panama in March 1983. Chang is 26-1 lifetime; he was Kuramochi's second defeat against 12 victories.

Gretzky Scores 5 as Oilers Romp, 8-2

Compiled by Our Staff From Dispatches
ST. LOUIS — It figured that the Edmonton Oilers and Wayne Gretzky were ready to break loose. After all, the team had lost two in a

NHL FOCUS

row, and its normally lethal scoring machine had only two points in two games.

But in a Saturday-night massacre, Gretzky had a five-goal game for the second time in his career and added an assist to lead the Oilers past St. Louis, 8-2.

Elsewhere in the National Hockey League, it was Boston 2, Vancouver 1; the New York Islanders 6, Philadelphia 2; Hartford 4, Montreal 3; New Jersey 8, Quebec 3; Pittsburgh 5, Toronto 2; Chicago

5, Minnesota 3; Washington 4, the New York Rangers 2, and Los Angeles 6, Calgary 3.

On Friday, Winnipeg beat Toronto, 6-4, and Detroit tied Buffalo, 4-4.

In his sixth NHL season, Gretzky is only two points away from a lifetime total of 1,000. Only 17 players in league history have accumulated as many. Gretzky, who will be 24 in January, will do it much faster than any other player; he has 998 in 422 games. Marcel Dionne, whose record is about to fall, needed 740 games to do it.

"Just one of those nights," was the way Gretzky dismissed his dazzling binge. "We were down — we'd lost two in a row. We were embarrassed for our coach. We had

a short meeting. The way we played we would have been tough for anybody."

Gretzky warmed up with a goal in the first period, then tallied three times and added an assist in 15 minutes of the second period. He finished up with a goal at 5:40 of the final period.

Gretzky's outstanding move of the night was in the second period, when he did a complete spin before firing a bullet past goaltender Rick Wamsley.

In 29 games this season, Gretzky has accumulated 85 points, 32 goals and 53 assists. All three are league-highs.

Saturday's hat trick was the 31st of his career, one fewer than the NHL record shared by Phil Esposito and Mike Bossy. (AP, LAT)

Sampson Powers Rockets Past Mavericks, 117-115

Compiled by Our Staff From Dispatches
HOUSTON — Dick Motta contended that a flying slam by Ralph Sampson early in the third quarter Saturday night required four steps, and maybe it did take three. But his kind of 7-foot-4, 230-pound baller deserved some poetic license.

Sampson also threw in hooks, routine jumpers and one touchdown pass for a total of 38 points

NBA FOCUS

and 18 rebounds in the Houston Rockets' 117-115 National Basketball Association victory over the Dallas Mavericks. He seemed fully recovered from an eye injury suffered Dec. 3.

"That's the best game Ralph's played against us," said Motta, the Dallas coach.

"I don't know," Sampson said. "I had some mistakes. I hope this wasn't my best game, because we've got a lot more."

Elsewhere it was Boston 101, Atlanta 94; Indiana 112, New Jersey 100; Cleveland 102, New York 97; Philadelphia 114, Chicago 102; San Antonio 120, Phoenix 111; Kansas City 110, Seattle 105, and the Los Angeles Clippers 109, Washington 106.

On Friday it was Boston 117, Utah 106; New Jersey 111, Chicago 109; Detroit 120, Indiana 96; Dallas 119, San Antonio 102; Philadelphia 115, Milwaukee 111; Kansas City 123, Denver 117, and Golden State 103, Portland 92.

The Mavericks, who evened their

record at 12-12, played without their top scorer, Mark Aguirre, out with tendinitis in his left knee.

"I still figured they would play well," said Sampson, who scored 25 points in the first half, 15 in the second quarter.

"They aren't going to let one player hurt them. They're going to play their game."

The Mavericks got 32 points from Jay Vincent and 31 points from Rolando Blackman.

Houston, which has beaten Dallas three times in four meetings this year, raised its record to 15-10 in winning its second straight. Rookie Akeem Oluajuwon added 23 points, including 10 straight in the third period, for the winners.

Dallas actually led, 31-28, after the first quarter. But Sampson scored 13 straight points in the second quarter, and the Rockets caught the Mavericks, 43-43, on Sampson's hook with 5:23 left in the half.

"Once Ralph got the ball low, there was no way to stop him," Vincent said. "I can't guard Ralph. He's one of the most talented seven-footers who's ever come around. Once he gets going like that, there's not much you can do."

The Mavericks fought back and took a one-point lead, 103-102, with 4:42 left to play, but then Houston surged.

With the score 114-112 and 29 seconds left in the game, Mitchell Wiggins hit an 18-foot jumper to seal the victory. (UPI, LAT)



Michael Jordan racked up a game-high 34 points Friday night, but Chicago still lost its NBA contest against New Jersey, 111-109.

SCOREBOARD

Basketball

NBA Standings

EASTERN CONFERENCE

Atlantic Division

W L Pct. GB

Boston 21 3 87.5

Philadelphia 19 5 79.2

Washington 14 10 69.0

New York 11 16 47.1

Central Division

Detroit 14 10 58.3

Milwaukee 14 10 58.3

Chicago 12 12 54.0

Indiana 10 18 49.0

Cleveland 6 24 20.0

Western Conference

Midwest Division

Denver 15 10 60.0

Houston 15 10 60.0

Dallas 12 12 54.0

San Antonio 12 12 54.0

Utah 7 25 27.7

Pacific Division

Los Angeles 15 11 57.7

Phoenix 13 13 50.0

Portland 11 15 42.3

Golden State 8 22 26.7

FRIDAY'S RESULTS

Boston 95, Detroit 88

Cleveland 102, New York 97

Cincinnati 101, Philadelphia 114

San Antonio 120, Phoenix 111

Dallas 119, San Antonio 102

Philadelphia 115, Milwaukee 111

Kansas City 123, Denver 117

Golden State 103, Portland 92

SATURDAY'S RESULTS

Boston 117, Utah 106

Cleveland 102, New York 97

Cincinnati 101, Philadelphia 114

San Antonio 120, Phoenix 111

Dallas 119, San Antonio 102

Philadelphia 115, Milwaukee 111

Kansas City 123, Denver 117

Golden State 103, Portland 92

Selected U.S. College Scores

FRIDAY'S RESULTS

Creston 71, Regis 51

Wisconsin 90, Dartmouth 70

UConn 104, Weber St. 83

Uthmaniyah 72, Colorado 68

SATURDAY'S RESULTS

Boston 85, Holy Cross 63

Creston 71, Regis 51

Wisconsin 90, Dartmouth 70

UConn 104, Weber St. 83

Uthmaniyah 72, Colorado 68

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Transition

BASEBALL

SEATTLE — Named Jim Mahoney and

Deron Johnson as coaches.

CHICAGO — Named Larry Schrenker, pitcher,

and National Baseball Association

KANSAS CITY — Named Kenny Nault, pitcher,

and New Jersey — Named Paul Walker,

pitcher.

PHILADELPHIA — Placed Bob Fosse,

pitcher, on the injured list. Called on Deron

Johnson, pitcher, from Hawaii of the

American Hockey League. Moved Ron

Haskell, pitcher, from Kansas of the International

League to St. Louis. Extended the contract of coach,

